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Forbes

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NUMBER 7

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Side Lines

The billionaires

Not so long ago, a genuine billionaire was a rarity, a legend Rockefeller, Getty, Gulbenkian—even children knew the names. But today, thanks to inflation and a tremendous expansion in the world's output of goods and services, billion-dollar fortunes are blossoming almost everywhere. FORBES counts 149 genuine billionaires and billionaire families in the world. Add their combined estates and you get a figure approaching half a trillion dollars. They are the subject of a 50-page report, "The world's billionaires," beginning on page 81.

Who are they? Where are they? What businesses made them billionaires? Did they make the money themselves or inherit it? After a great deal of difficult research, FORBES has compiled the first authoritative roster of the superrich outside the U.S.

In our forthcoming Oct. 26 issue, The Forbes Four Hundred we list 49 U.S. billionaires, along with the possessors of 351 lesser but still considerable U.S. fortunes—an annual FORBES event. In the current issue we break new ground by pushing our survey of wealth to the four corners of the globe.

This is no gossipy-snoopy peek into the lifestyles of the rich and powerful. It is a survey of world wealth. In reading it, for example, you will learn that while the U.S. still leads in creation of billionaires, Japan is coming up fast; we count 24 Japanese billionaires. Germany is third with 13.

On a per capita basis, though, Hong Kong is the clear leader This tiny outpost of China boasts 6 billionaires—1 for every 900,000 inhabitants. Hong Kong is part of a significant shift in the pattern of wealth-creation and economic progress, away from Europe toward the Far East: The Pacific Basin as a whole now has more billionaires than all of Western Europe, 39 vs. 36

Outside the U.S., real estate is the most common source of huge wealth; we identify 24 real estate billionaires. Manufacturing comes second, with 17 great fortunes. Retailing follows with 15, banking/finance with 12. Beer and liquor created 5 non-U.S billionaires. Cocaine and candymaking are tied with 2 each.

In the U.S. roughly 1 billionaire in 6 made his money in media/communications; in the rest of the world, only 1 in 16 Clearly, mass media has room to grow overseas.

And here's a shocker for those who think most great wealth is inherited, piled up over many generations: 53 of the 96 world billionaires are first-generation wealthy. Only in Europe are old fortunes predominant. Oil? A disappointing 2 out of 96 became world-class wealthy in this business—probably because most Mideast oil is government-owned. While the Mideast contributed 8 billionaires, most of them made their money in banking, retailing, construction.

I only scratch the surface: Each of these foreign fortunes is a fascinating story, and we have painstakingly reported them all.

James W. Michaels
Editor

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A brief history lesson for companies t

Photo by Nicholas DeVore III

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Follow-Through

A quixotic father's acquisitive son

Oct. 20, 1986

In August, Ralph Ingersoll II paid $400 million cash to Cleveland's Horvitz family for four Ohio dailies and the Troy (N.Y.) *Times Record* (combined circulations, 223,000). Ingersoll outbid 40 suitors for the dominant dailies in these nonurban markets.

In fact, the 41-year-old media magnate has been on an expensive buying spree. The Horvitz deal closed just two weeks after Ingersoll paid $155 million, also cash, for the Morristown (N.J.) *Daily Record*. In less than a year Ingersoll purchased eight smallish dailies—from Anderson, Ind. to Asheboro, N.C. He is in the process of acquiring chains of weeklies in Philadelphia, New York's Long Island and northern New Jersey. Last year he paid $185 million for the 110,000-circulation *New Haven Register*.

Only five years ago Ingersoll was scarcely a factor in publishing. He's a son of the late Ralph Ingersoll Sr., managing editor of *The New Yorker*, managing editor and publisher of *Fortune*, publisher of *Time* and *Life*.

Ingersoll's sensational growth is one more demonstration of what might be called Milken-power. Ingersoll is a client of Drexel Burnham Lambert's legendary Michael Milken, whose ability to raise billions of dollars with little equity through the junk bond market fuels the rise of many a budding entrepreneur. In this relationship, one hand washes the other: Milken and Ingersoll together visited Mexican President Miguel de la Madrid in July to discuss Milken's proposals for securing Latin debt (FORBES, *July 13*).

Also, Ingersoll has testified four times before congressional committees in behalf of Milken and plans a series that features Milken in his *New Haven Register*. Politically, it never hurts to have a publisher on your side.

With the new properties, revenues of Ingersoll's privately held Ingersoll Publications will probably exceed $600 million this year; the company is probably worth at least $1 billion, net of its $500 million debt, although Ingersoll has placed major equity stakes with partners.

While Ingersoll's chief properties have been in smaller daily markets, Milken's backing also has given him the wherewithal to buy free-distribution weeklies in rich suburban markets like Long Island. There Ingersoll hopes to duplicate the success of his St. Louis chain of 45 dailies and weeklies, which now has a readership three times that of the local St. Louis *Post-Dispatch*.—**Phyllis Berman**

Acey Harper

Losing ground

Jan. 27, 1986

Early last year FORBES forecast that document supplier Disclosure Information Group faced a tough future. Bechtel Corp., the San Francisco construction giant, had eight months earlier beat out the Maryland-based information firm to become the official repository of financial documents for the SEC. Disclosure had traditionally held that slot, making it the first choice for researchers seeking information on public corporations. With Bechtel now controlling access to the documents, Disclosure faced having to turn to the exchanges to retrieve documents for clients, a time-consuming process that seemed likely to cause it to lose business.

The prediction seems to be coming true. Since losing the SEC contract, Disclosure Group's revenues have fallen from $22 million in 1985 to $18 million by the end of 1986. Profits are down, too. And subscribers are angry over an unfulfilled promise Disclosure made three years ago to set up an electronic document delivery service. In theory, a company like Kidder, Peabody, say, would have been able to receive facsimile financial documents, on demand, via a high-speed fiber-optic link between Maryland and centers around the country.

Shearson Lehman Brothers, E.F. Hutton and Kidder signed up at a base price of about $90,000 per year. Glitches developed in putting the network together. In August Disclosure told clients the project wasn't working. The fiber-optic link turned out to be, in the words of President Steven Goldspiel, "a lot more complicated and costly" than anticipated. With no electronic document delivery in the offing, subscribers are looking for a low-cost, microfiche alternative. Guess who supplies one? Bechtel. Tough luck for Disclosure all around.—**Lisa Scheer**

Jim Daniels Picture Group

Still in the woods

Apr. 20, 1987

Central Maine Power Co. looked as if it had put the worst of its troubles behind it in April. CMP had written off $85 million spent on canceled nuclear plants, persuaded the state utility commission to let it charge consumers for $191 million of the remaining cost and sold off its share in the delayed Seabrook nuclear project. It had reached a tentative agreement with Hydro-Quebec to build a $250 million transmission line to import Canadian hydroelectric power. The sweetener, FORBES wrote, was that CMP hoped to sell at least a third of the power at a profit outside Maine.

What FORBES did not count on was the opposition to CMP's deal. Shortly after our story appeared, complaints flooded President John Rowe's desk from environmentalists as well as rival power producers hoping to sell the utility their own electricity.

Opponents have asked the state's public utility commission and the Department of Energy to deny CMP's applications for permits to build transmission lines. A new foe, the National Coal Association, claims that building coal-fired plants would be cheaper than importing power. Although importing still looks to be the best option, Rowe says opponents have a clear chance of winning, not least because the issue of dependence on foreign electricity is a real one.

Even if CMP loses, Rowe says, the threat of competition will have cut the cost of power it buys from Maine area cogenerators by 20%.

Rowe still faces a battle over the continued operation of CMP's 38%-owned Maine Yankee nuclear plant. There's to be a referendum in November, and with many voters undecided, it will be close. In short, CMP is not out of the woods.—**Alyssa A. Lappen**

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Edited by Gretchen Morgenson

Germans on the prowl

Illustration by Patrick McDonnell

Cheap dollars in hand, German buyers are eyeing U.S. retailers. One group to watch is ASKO Deutsche Kaufhaus A.G., an expansion-minded German discount-store chain whose sales should exceed $5 billion this year. The company is reportedly on the prowl for midsize U.S. discounters. Clothestime, Burlington Coat Factory and Syms Corp.—off-price apparel concerns—could be targets. In the meantime, ASKO is also looking to get an ADR listing on our over-the-counter market.

Why do foreigners like our retail trade? For its knowhow. The American look is a big seller abroad. Arthur Britten, who heads a New York City-based retailing consulting firm of the same name, believes: "Foreigners find American retailers to be much more sophisticated than they are themselves."—**G.M.**

Getting uncurled at GE

General Electric is spending millions of dollars—exactly how many it won't say—to soften the curlicues on its logo and pull together its corporate identity. GE's design firm, Landor Associates of San Francisco, is completing a two-volume, 500-page manual that will go to 1,500 corporate workers and suppliers telling how to fix logos on delivery vans, uniforms and letterheads, and otherwise comport themselves consistently.

The point of all this sweat and money? "We wanted to improve our image of dynamism and innovation," says an exuberant GE spokesman.—**G.M.**

Brokers on the block

It is rumored that Equitable Life is looking to sell part or all of investment firm Donaldson, Lufkin & Jenrette, with Morgan Stanley acting as the banker. Equitable denies the rumor. Seems L.F. Rothschild is also up for sale. Possible buyers? E.M. Warburg, Nikko Securities and Nomura Securities have been named. One trader was told that the deal was as good as done in August. Rothschild's book value is about $12. Recent brokers have been sold at twice book, so a price of $25 would not be entirely out of the question.—**G.M.**

A masterpiece of timing

Just when the oil service industry is recovering, a big name is getting out. H.E. (Eddie) Chiles, 77-year-old chairman of sickly Western Co. of North America, sold almost 40% of his holdings during four days this summer. His sale of nearly 1.1 million shares came in a week of extraordinary activity—2.6-million-share days in Western stock during that week in July—for a stock that has a normal daily volume below 150,000 shares. Chiles unloaded at around $3 a share, near a two-year high. The stock traded as low as 25 cents last December.

Since Chiles stopped selling, the stock has drifted back down to around $2.50. There it sits.

Now, that's what we call good timing on Chiles' part.

Where were all the buyers coming from for this oil driller, in such shaky condition that it is in default on its debt? As far as we can tell, no Wall Street brokerage firm was recommending purchase of the stock at the

time. With $573 million in debt and $661 million in assets, Western may have to recapitalize in such a way as to dilute the equity of existing shareholders. And as it is, book value is minus $1.92 a share.

So who was paying $3 for thestock? One source tells the Informer that some European institutional investors were buying heavily into Western. We don't know why, and the company says it doesn't know why, either. But we wonder whether the buyers knew that the guy who runs the company was supplying the stock they were buying.—**G.M.**

Why bankers fear Maura's phone calls

Nelson's annual *Directory of Wall Street Research* lists brokerage analysts and the companies they cover. How's this for an assignment? Analyst Maura Murrihy at Northern Trust Co. in Chicago is listed in last year's edition as covering "Doubtful/Desperate Banks." Murrihy says she doesn't

know where the description comes from, but an editor at Nelson's insists, "The descriptions come from the analysts themselves." Sounds like Murrihy spends a lot of her time in Texas.—**G.M.**

In the long run, we're dead

Overheard at a road show sponsored by Putnam Financial Services pitching the merits of its high-income government bond fund, a Putnam executive was asked about the fund's dwindling net asset value in the face of rising interest rates. No problem, he said: "Our clients don't care about net asset value. They're older and retired—all they care about is getting a check every month." In short, the collector of estate taxes can worry about the asset shrinkage.—**G.M.**

Golden ears

Mobil Oil headquarters in New York is abuzz. Herb Schmertz, Mobil's superflack, arrived at a recent executive committee meeting sporting a gold earring in his ear. Perhaps Schmertz, who has turned his public relations career into something of a media event, was inspired by the sight of John McEnroe wearing a diamond earring during the U.S. Open tennis quarterfinals. But Mobil's usually affable Chairman Allen Murray was not amused. Word is he ordered Schmertz never again to adorn his lobe. Says Mobil: No comment.—**G.M.**

Don't borrow, go public

From Europe, bad news for bankers, good news for entrepreneurs. "Only the worst corporate credits are borrowing these days," confides Gérard Tardy, who runs Citibank's French venture capital business, "and everybody else is raising equity." Why? In France, he explains, "our real interest rates are now 8%, and the government will cut corporate income tax rates from 45% to 42%, so interest deductibility is less interesting." Citibank's Paris office has cut its commercial lending staff deeply, and other foreign banks in France are following suit.

Meanwhile, with the Parisian stock market booming, venture capitalism is now in full bloom. Tardy says that bright young French men and women are fleeing big companies to start their own businesses; they are attracted in part by France's top capital gains rate of 16%, vs. the top income tax rate of 58%. Tardy predicts that leveraged buyouts are next. Does Michael Milken speak French?—**Lawrence Minard**

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Readers Say

One over par

SIR: Re your cover story on professional golf ("Spreading the wealth," *Aug. 10*). Every amateur has his favorite top golfers. If he is going to be denied their presence on TV, he is not going to glue himself to his TV, except in major competitions. If this happens, the number of viewers will drop.

Deane Beman's changes from giving big rewards to "spreading the wealth" will eventually prove to be a case of suicide.

—James Stewart
New York, N.Y.

War and remembrance

SIR: The cemetery at Omaha is indeed a moving experience *(Fact and Comment, Aug. 24)*. But there are at least three others in Normandy that one should see. The first is an American military cemetery near the town of St. James, not too far from Mont-Saint-Michel. Nearly 7,000 Americans are buried there, virtually all of them casualties of the German counteroffensive in the summer of 1944.

The second is a German military cemetery outside the town of Bayeux, which contains, as I recall, approximately 25,000 German soldiers, thousands of whom are "unknown."

And the third is a British cemetery, also in Normandy. The British allow the family to put a quotation or comment of remembrance on the headstone of the deceased soldier. Visiting these cemeteries reminds one of the stupidity of war.

—Walter Y. Elisha
Chairman of the Board,
Springs Industries, Inc.
Fort Mill, S.C.

Bettmann Archive

U.S. troops landing in Normandy

SIR: My wife and I visited the cemetery in 1967. We asked the superintendent which group of people visited the cemetery the most. He replied, simply: "The Germans."

—Frederick Epstein
San Francisco, Calif.

Lonely Sowell

SIR: Black intellectuals such as Tom Sowell are as much out of touch and out of step with black America as he claims liberal black Americans are ("A man alone," FORBES, *Aug. 24*).

With the kind of thought Mr. Sowell purports, he will no doubt, forever, be "a man alone."

—Johnnie Horace Morris
Brooklyn, N.Y.

Typographical error

SIR: Your "analyst" confused the commercial electronic office machine market with the consumer portable and compact typewriter market ("Writing on the wall," *July 27*).

Total portable and compact typewriter industry sales for the year ended in June 1987 show a very healthy unit increase of 27% over 1986.

Smith Corona profits will be up substantially over fiscal 1986 and unit sales are up close to 50%.

—G. Lee Thompson
President and
Chief Executive Officer,
Smith Corona
New Canaan, Conn.

Anybody there?

SIR: Your editorial on the upcoming arms agreement *(Fact and Comment II, Aug. 24)* brings back memories of 1945, when the Administration also "did not listen."

It soon became obvious that despite the number of capable German scientists we found and brought to the U.S., the Russians were signing up just as many. We repeatedly stated that it was nonsense to assume that the Russians were ten years behind us in developing their own nuclear weapons.

No one listened then and no one will listen to you now.

—Henry K. Griesman
New York, N.Y.

Bear with us?

SIR: When your Streetwalker *(Aug. 24)* says things like ". . . American Home Products . . . is up only 17%" (this year); or "Since January . . . Soo Line Corp. has risen just 33%. Is Soo sick . . .?"—that's when I wince and run for cover.

Can the end of the bull market be far away when pundits and public alike complain about returns like those?

—Thomas E. Hannah
Associate Vice President, Investments,
Dean Witter Reynolds Inc.
Eugene, Ore.

No no-load

SIR: Your July 27 ("Risky business") issue credits us for introducing life insurance on individuals on a no-load basis. General American Life neither sells nor believes in such policies. Our company is a strong advocate of the agency system and believes in paying agents fairly.

—Warren A. Goodenough
Vice President,
General American Life
St. Louis, Mo.

Proper appreciation

SIR: Your article ("The privilege of paying more," *Sept. 21*) points out that Gintel Fund was up 18.6% in the past 12 months, compared with 39% for the S&P 500, but that "one year does not a record make." Wouldn't it be fairer and more balanced if you had gone on to point out that in six years and three months the Gintel Fund appreciated 211%?

—Robert M. Gintel
Gintel Equity Management, Inc.
Greenwich, Conn.

Tokyo woes

SIR: In a world where asset values are determined globally and communication (and hence transactions) are instantaneous, how long can prime property in Japan be valued at 10 to 20 times that of comparable U.S. or U.K. property?

Trees don't grow to the sky.

—Sheppard H. Davis
Director,
Salomon Brothers
New York, N.Y.

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Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

IF EVEN A FRACTION OF SUPERCONDUCTIVITY'S POTENTIAL

is realizable, we had better pull out all the stops to be in the vanguard of the most revolutionary breakthrough since the computer. It takes your breath away to contemplate the possible impact on the world's economy.

IF IT'S INVESTIGATIONS WE WANT

how about one to find out why-who-how our minesweeping capability got swept away in the vast U.S. Navy expansion?

THE RISK & IGNOMINY FOR US IN HAVING TO USE RUSSIAN ROCKETS

to get more sorely needed satellites into orbit is unacceptable, unaffordable in any and every sense.

It's hard to conceive that we're in this incredible bind.

It's hard to believe that NASA has so blown our space program that for the next unknown number of months—that could stretch to a year or more—the U.S. has no way to put these indispensable eyes in the sky.

The Russians have offered to our desperately seeking commercial satellite needers to put their packages into orbit. And at half the U.S. cost when we had the capacity to do it. The Reds even solemnly promised not to subject these orbit packages to inspection for high-tech secrets. (Which promise, of course, should totally satisfy such concerns.)

For the moment, we're able to doctor up our aging/fading satellites, but more and more of them could go out at any time.

Our present lack of space carrier capability puts our whole defense in intense danger. By being behind the high-tech communications eight ball we are open to serious economic setbacks.

While the words "crash program" may be singularly inappropriate, that's exactly what we need the President to order.

The U.S. must have pronto a carrier rocket that can.

WHILE OTHERS ARE RUNNING, MARIO CUOMO'S STATURE IS GROWING

As the time before the Democratic Presidential Convention relentlessly lessens and the announced candidates run ever harder but with diminishing visibility, New York's sidestepping Governor looms larger and larger.

The fact is that he is bigger than the field in every sense but literally. That he is uncoyly undetermined—yet—to be a candidate and has convincingly nice things to say about those who are is in fact helping him more than them.

People sense his attitude is not a ploy.

He has *not* slammed the door on being the nominee. He just says that without being an allout candidate in time for the early primaries—which he isn't going to be—no one can expect to be the party's nominee.

Which ain't necessarily so.

Read the following exchange and see if you don't agree.

"Dear Governor: Come out, come out! Cordially,

Malcolm S. Forbes."

Enclosed was this editorial from FORBES, Sept. 7:

"THE DEMOCRATS' STRONGEST HOPES ARE STILL IN THE WINGS

Cuomo. Bradley. Nunn. Robb.

Of those running, Dukakis is pulling ahead."

From the Governor came this sagacious and delightful reply:

"Dear Malcolm: Thanks for the invitation to 'come in.' I'm flattered that you consider me a potential candidate for the Presidency. Let me, I hope without boring you, tell you briefly my thinking on the subject.

"In 1984, as reported in a front page story in the *New York Times*, I addressed the question. In effect I said that if I ran again for Governor and won, it would be practically impossible to run for President. I explained that the demands of the Office of Governor of the State of New York were incompatible with the excruciating demands of the primary system we've had for the last 15 or so years.

"My opinion has not changed—and that's what I said on Feb. 19 of this year when I announced I would not be running. Incidentally, it's also the opinion of Jim Thompson of Illinois, Tom Kean of New Jersey and now Dick Celeste of Ohio. Mike Dukakis is the exception, but then he has a state with under 3% unemployment and a requirement that newborn babies be baptized as Democrats.

"Maybe it ought not be this way . . . but it is.

"I would spend more time wondering about it if I were less enthusiastic about the present field of Democratic candidates. I disagree with you and the others who see no special leadership qualities in any of them. I think you will change your mind when the primaries start producing winners. Victory will produce celebrity, and suddenly 'dwarfs' will look like giants.

"Remember, I said it first. Sincerely,

Mario M. Cuomo, Governor."

The Governor's absolutely right that "Victory will produce celebrity." The problem is, the primaries will indeed produce winners—but several. As things now shape up, no existing Democratic presidential candidate is likely to go to the convention with nearly enough delegates to nail down the nomination.

As they batter and barter, the delegates, led by candidates unlikely to emerge, will turn to Mario Cuomo and . . . *voilà!*

To recontext the Governor's last paragraph of his letter—

Remember, I said it first.

. . . AND IT'LL BE BAD NEWS FOR REPUBLICANS

if the Democrats do nominate the good Mario. Far and away he would be their strongest candidate because of where he's coming from—a keen and ample brain, a big and warm heart, oft-fresh views and convictions about basics.

Combine those with an uplifting way with words, resonantly articulated, and you've got a standard-bearer who won't be readily bested in the 1988 battle for the presidency.

ONE'S VERY SMART, ONE'S VERY SMARMY

What better way to make key points than Team Xerox does here: "Winning takes more than fancy footwork. The most advanced equipment can only complement a strong team behind you. The same is true of success in business. Which is why we've created Team Xerox to provide you with the most fitting combination of Xerox products and support. It's our way of keeping you a step ahead of the game."

What worse way to sell those who spend money on disks and a way to store 'em than this leering absurdity?

RESTAURANTS—GO, CONSIDER, STOP

● **Le Périgord**—405 East 52nd St. (Tel: 755-6244). Traditional French haute cuisine. Long a habitat of conservatives who prefer quality and quietness—and can afford it.

● **Central Falls**—478 West Broadway (Tel: 475-3333). Soho's now firmly the liveliest art center in the Big Apple—which itself is the most alive art center in the world. For a quality taste of the flavor and Soho spirit, Central Falls is a great place to start. The dishes are quite good; there's always an art or crafts exhibit on the walls; reminiscent music, frequently live; and sometimes, entertainers as well.

● **Man Ray**—169 Eighth Ave., near 18th St. (Tel: 627-4220). The starkness and grainy-glarey black-and-white pictures of this renowned photographer of a past period are replicated in decor and dish. The pictures may catch the eye, but the place and platters are not likely to grab the customers.

● **The Bistro** at Trump Tower—725 Fifth Ave., near 57th St. (Tel: 832-1555). Very tasty pastas, lovely warm bread and cheerfully swift service. A nice lunchtime excuse to enjoy the marbled, splashing splendors of the Trump Tower Atrium.

● **Fluties Pier 17**—89 South Street (Tel: 693-0777). The restorations of South Street Seaport are sometimes overwhelmed by the swarmingly alive, attractively trendy shops and restaurants of Pier 17 and the Fulton Market Pavilion. The whole place is really fun and should definitely be a port of call. Fluties is a less disappointing seafoodery than some of the others here-

abouts. On summer weekends you will need some of Doug Flutie's shoulder pads to go piering here.

● **Café Society**—915 Broadway, at 21st St. (Tel: 529-8282). A group of Wall Streeters have anted up nearly $4 million to create one of the most stunningly huge places in the Big Apple. The crowds are equally excited and exciting. While pastas are fine, some of the other dishes are not yet on a par with the eagerly happy service and welcome.

● **The Stanhope**—995 Fifth Ave., near 81st St. (Tel: 288-5800). The Stanhope Hotel and its dining room have undergone a $26 million renovation and now more nearly befit their location opposite the grand Metropolitan Museum of Art. The fine food, though, is not yet up to the splendid tone of its surroundings and with which it is served.

● **Sofi**—102 Fifth Ave., near 15th St. (Tel: 463-8888). In making relatively cozy a loft'y Fifth Avenue space near the heart of New York's current Hot Area, experienced restaurateur Richard Lavin has a lovely success on his hands. While there's much Italianesque, there are many dishes that might be described as Continental American. This is a fresh place, and it's well worth seeking out for good food that's often different and good-taste fun.

MOVIES

● **The Living Daylights**—While you can adjust to the newest James Bond personifier, this all-action-but-no-sense-or-sequence plot is unadjustable to. It's not even saved by the scenes shot in FORBES Magazine's Palais Mendoub in Tangiers, Morocco. ● **My Life As a Dog**—What a treat this Swedish film is. It not only tells with captivating realism the overwhelming difficulties of being 12 years old, but its wrenching sad sides provide a depth that's moving. Beautifully acted. See it if you can. ● **No Way Out**—This gripping mix of passion twists and twists in treason is a real setback for nail biters. Once it starts, there's no way you'll want out. ● **The Untouchables**—This highly fictionalized depiction of Al Capone and those who finally got him on income tax charges is overblown, overstaged and overactioned, but still good fun—sometimes, funny unintentionally. ● **Withnail and I**—Nobody does wryly deft comedy better than the Brits, but this film of two raffishly starving actors is a labored clunker.

NOT MUCH IS BETTER THAN LAMB

if it's well done—which is rare.

THE ONLY THING THAT TOPS

a good wine is a better one.

BOOKS

● **The Day Before Yesterday**—introduction by Peter Quennell (Charles Scribner's Sons, $14.95). Life at all levels in Victorian Britain portrayed in some 300 first-rate photographs. Though now out of print, it's worth haunting used bookstores for.

● **Oregon—Images of the Landscape**—by Steve Terrill (Westcliffe Publishers, $29.95). *Oregon* makes it visibly plain why a former governor once expressed an interest in keeping more people and industries from settling in the state. While photographer Terrill captures on film some stunning landscape panoramas, the greatest and most of these 131 full-color photographs are his close-ups of the patterns and mosaics made by beds of wildflowers, streams, ferns, snows, icicles and leaves.

Excerpts: *Reflecting back on the endless miles I hiked, winds that nearly blew my camera over, the baking heat of desert country in summer, and hail pelting my face until it ached, I know I would do it all again. For the reward has been a deeper awareness of the natural order of things, and the enjoyment of recording for others these images of the Oregon landscape.*

● **The Making of McPaper: The Inside Story of USA Today**—by Peter Prichard (Andrews, McMeel & Parker, $19.95). Today's greatest newspapers took decades growing to be. But this is the absorbing saga of the most audacious, costly, almost instantaneously impactful daily newspaper birth in journalism history, with CEO Al Neuharth as conceiver. Out of the Gannett womb came *USA Today*, and not many on-the-ball American dailies escaped feeling pain from its birth. Its colorful graphics have caused many a paper to clean up, spruce up, color up, pic up their own. The weather can now increasingly be seen in scores of papers à la *USA Today*. When its unparalleled sports coverage began to lure readers from local dailies, those who felt the hot breath beefed up theirs. Here's the gripping story of how Al Neuharth, that toughly determined visionary, created in 60 months the first truly national newspaper to serve a vast country that had never had one—other than in the field of business.

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Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

Allout Effort

TOKYO—Prime Minister Yasuhiro Nakasone said that Japan would make an allout effort in research on superconductivity, or the effort to develop materials that can conduct electricity with negligible loss of power. Scientists hope that superconducting materials will provide an almost everlasting supply of cheap electricity.

Mr. Nakasone told Parliament that cooperation among industry, universities and the government was needed to further discoveries about superconductivity. . . . A project coordinated by the Ministry of International Trade and Industry asked for 3.5 billion yen, or $24 million, of government money as next year's research allowance.

—Reuters

Simple Tastes

[Animal behaviorist Jane] Goodall's home at Gombe [Tanzania] reflects her frugality. Although she has lived there some 20 years, her tin-roofed beach house at Gombe has no electricity, no running water, no toilet, no refrigeration and no stove. After dark, she writes by kerosene lamp.

One afternoon, after an exhausting day following chimps up and down steep hillsides, I was in Goodall's house when I overheard her saying, "Hey, the rat's getting right into the cupboard, damn him." When the photographer asked if Goodall wanted her to throw away the rat-eaten potatoes, Goodall said, "Oh no, leave them for me. I'll eat them later."

—Steven Flax, *US* magazine

You Might Scream

I thought after the first [presidential debate with Reagan] I had some momentum. Not that I'd win. Except for a day or two after the convention, I never thought I'd win. . . .

In our system, at about 11:30 on election night, they just push you off the edge of the cliff—and that's it. You might scream on the way down, but you're going to hit the bottom, and you're not going to be in elective office. It's so abrupt.

—Walter Mondale, *New York Times*

Takeover Artists

Surely, if the Mob were half as profitable as the government experts tell us it has been, the names of leading Sicilian families now so widely associated with villainy would have long ago taken their place in the *Social Register* alongside the Biddles and the Mellons. Where are the great Mob fortunes?

When is the Mob going to make its bid for Beatrice Foods? Why didn't it outbid General Electric for RCA? Talk about unfriendly takeovers: Imagine if you pulled up to General Motors with a tender offer and two carloads of Mob mugs.

Maybe it is time that jurisdiction over Mob activities be transferred from the FBI to the Securities & Exchange Commission. Certainly, the SEC's disclosure rules would give us a better perspective on the breadth of Mob wealth than the occasional testimony of the plea-bargaining songbird.

With their more relaxed rules of evidence and maddening talent for applying red tape, the SEC should have no trouble raising Mob ethics and behavior to, say, Wall Street levels.

—Robert Reno, *Newsday*

HERMAN

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"Who's buying the raw herring?"

No Sages Wanted

At a dinner party one should eat wisely but not too well, and talk well but not too wisely.

—W. Somerset Maugham in *Good Advice*, by William Safire and Leonard Safir

We must follow the example of Solon, who gave the Athenians not the best government he could devise but the best they would receive.

—Pierce Butler
South Carolina delegate to the Constitutional Convention, 1787

Poor Prevention

Education, beyond all other devices of human origin, is a great equalizer of the conditions of men—the balance wheel of the social machinery. It does better than to disarm the poor of their hostility toward the rich: It prevents being poor.

—A. Bartlett Giamatti, *The University and the Public Interest*

Go Fish

"Fish taste like water," said Dave Bannister, slicing into a medium-rare, 16-ounce sirloin steak, well marbled. He said it's amazing what people do to try to make fish taste good: blackening them, squirting lemon juice on them and drowning them in sauces. "You could do the same thing to a washcloth," he said, "and avoid bones."

They used to have a fish on the menu at *One Fifth* that was smoked, grilled *and* peppered ("Grilled, Smoked and Peppered Mackerel with Arugula and Endive"). They did everything to this fish but pistol-whip it and dress it in Bermuda shorts.

—William E. Geist, *New York Times*

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"We've caught them napping."

General George Armstrong Custer, June 25, 1876.

"On to Little Big Horn for glory. We've caught them napping."

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Fact and Comment II

By M.S. Forbes Jr., Deputy Editor-in-Chief

RETREATING FROM A RETREAT

By requesting $270 million for the contras, the Administration has pulled back from what would have been a catastrophe—the permanent establishment in Nicaragua of the first Soviet satellite on the American mainland.

The White House thought it could create a congressional consensus for the contras by cutting a deal with Speaker James Wright. Instead, it boxed itself into a position where it would have effectively ditched them.

The Administration should forget about trying to create a congressional compromise on this issue. The Democrats have chosen to be irresponsible. They claim they don't want to see a communist regime entrench itself in Central America, but they steadfastly oppose any effective measure to prevent that from happening. The only way to avoid Nicaragua's becoming another Cuba is either by assisting the contras or by sending in our own troops.

Despite our on-again, off-again support, our contra policy has had success. In 1981 Managua was vigorously supporting guerrillas in El Salvador. Now the Sandinistas are fighting to preserve their own regime at home. Democracy has been strengthened in El Salvador, and it has come to Guatemala and Honduras.

The Sandinistas aren't going to change their behavior unless forced to do so. Moral suasion doesn't deter thugs.

Support of contra aid means effectively resisting the imposition of a communist regime; a no vote means acquiescence. Congressional Democrats should not be able to duck the issue.

FUTURE SHOCK

Few industries went through as much turmoil during the inflationary 1970s as the electric utilities; companies with nuclear power programs had an even more difficult time (and still do today). But the industry that was once synonymous with stability, with being the safest investment for widows and orphans, hasn't seen anything yet.

Like telephones, electric utilities were once considered to be "natural" monopolies. No longer. The electrics will face enormous pressure from two directions.

The most immediate is deregulation. Utilities are facing competition from companies in such industries as forest products, which generate considerable power of their own. Moreover, major business customers are demanding more insistently that they be given access to power generated by cheap suppliers. As is happening in the gas pipeline industry, electric companies will become "common carriers," which means that they will deliver electricity from one source to another for a fee just as, say, truckers move freight today. Low-cost producers of electricity will benefit. The old framework of a guaranteed profit, of a cost-plus modus operandi is being chipped away.

The other source of upheaval will come from superconductivity. Breakthroughs here are happening quickly. In a generation or so, the applications of superconductivity could do to the traditional transmission of electricity what railroads did to the Erie Canal or fiber optics did to copper.

APTLY NAMED MAGAZINE

Insight is a remarkable magazine published by the *Washington Times*. It is a newsweekly with a difference. It assumes that readers have knowledge of daily events and gives the news an analysis, a perspective one doesn't always find elsewhere. Whether on headline issues such as defense, Bork, Iran-scam, or with shorts on topics such as sports, science, art, television, books, health or the law, one always finds nuggets of new information. Its stories are usually succinct and each has atop it a brief summary in boldface type. Editor-in-Chief Arnaud de Borchgrave and Managing Editor Kirk Oberfeld deserve prizes for what they have wrought here.

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Edited by Howard Banks

INTEREST RATES—THE DECEPTIVE CALM

Housing is already taking the first hits

THE HIKE IN THE DISCOUNT RATE IN EARLY SEPTEMBER by Federal Reserve Chairman Alan Greenspan had the desired result. It calmed the markets in advance of the release of the awful $16.5 billion trade deficit for July.

How long this calm will last remains to be seen, but the hike—and the underlying upward trend in market rates—has also had an inevitable, unpleasant side effect, that of depressing the housing market.

The linkage is now almost instantaneous. Nobody these days makes a mortgage and then sits with it. It's bundled with others and resold in the secondary market.

So the 1½-month-to-2-month lag that used to exist between rises in market rates and mortgage rates has disappeared, reports John Tuccillo, chief economist of the National Association of Realtors.

If the August figure for new starts (due out after this issue goes to press) doesn't show a decline, September's surely will.

No housing boom, but no bust, either

SINGLE-FAMILY HOUSING, ONE OF THE FEW AREAS of construction showing consistent life following tax reform, began to slow as a result of the rise in mortgage rates to 11% or more from around 9% early this year.

Commercial building—mostly offices and apartments—is less than robust. Industrial, or factory, building had recovered from a drought in the first four months of this year—until the recent increases in rates.

All things considered, though, housing should not bust below an annual rate of 1.1 million to 1.2 million starts, Truccillo says, provided there is no Volcker-style runup of rates as happened after 1979, when mortgage rates peaked at 16.1% in May 1982.

The odds favor another boost in the discount rate

WORRIES ABOUT INFLATION SHOULD NOT BE THE CAUSE for such a runup. The producer price index for August was unchanged, wage increases remain modest and oil prices are down, though there is some pressure from higher commodity prices.

Nevertheless, expect a second dose of maybe 0.5% added to the discount rate. Look at the record. Twenty-four of the last 26 increases were followed by a second one (6 within 21 days and a further 11 in 21 to 60 days).

The main reason for another boost is that the market is already anticipating one. And the Fed has kept money growth tight, below its own targets, fueling the widening spread between short and long rates.

When the markets realize that the August trade figures will likely be worse than July's, they will step up pressure on the dollar. Even though Greenspan wants a lower dollar (in trade-weighted terms it really hasn't dropped much in the last year), political pressure to aid Japan and West Germany will dictate action to cushion further declines in the dollar.

The Forbes Index

Working for a living. The trailing six-month total of initial unemployment claims fell 3.2% for the March-August period. New unemployment claims averaged only 306,000 per week in August, the lowest level in almost 13 years. The well-employed work force is spending heavily. Consumer installment credit outstanding, for example, rose to $591 billion in July, as the May-July average went up 0.4% from the previous three-month average. These two components helped boost the Forbes Index 0.6% during the most recent reporting period, the biggest gain in six months.

The ratio of manufacturers' new orders for durable goods (three months through July) to inventories (July) slipped 0.1%. Defense orders were relatively weak.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements. Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.

Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)

New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)

Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)

Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

J A S O N D J F M A M J J A J A S O N D J F M A M J J A J A S O N D J F M A M J J A

How the Masters of the Universe overcame the attack of the Deutschemarks.

When a new toy sets out to conquer the world, its timing must be right. Its price-point must be perfect. There is no mercy from the marketplace.

So when the Masters of the Universe invaded Europe, Mattel Inc., like a lot of smart companies, locked in some key currency exchange rates in advance – at the Chicago Mercantile Exchange. And when the Deutschemarks rose up against them, Mattel was able to hold its ground.

The moral of the story is pretty clear. It pays to take control of as many sources of risk as possible. And the Chicago Mercantile Exchange has developed better ways for managers to control interest rate risk. Equities risk. And risks on some agricultural commodities. As well as international exchange-rate risk.

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Forbes

First Jersey's Bob Brennan has retired to the sidelines, and Blinder, Robinson is under fire from the feds. But don't relax your hold on your wallet: Stuart-James is after your money.

Poison wine in new bottles

By David Henry

DO YOU WANT to get in early on "the next Apple Computer"? Would you like to "share in the large potential rewards of America's free enterprise system"?

Unless you have disconnected your telephone, locked your mailbox and ceased subscribing to newspapers and magazines, you have seen or heard such pitches from the barkers at First Jersey Securities, from the cold-callers of Blinder, Robinson & Co., from the boiler room operators of fugitive Juan Carlos Schidlowski.

Now you can hear a similar pitch from Stuart-James Co. Inc., one of the smoothest-talking, fastest-growing penny stock brokerage firms ever to roar out of the Rockies.

Founded in Denver four years ago by two alumni of "Blind-'em-and-Rob-'em" Blinder, Robinson (FORBES, *Apr. 20*), Stuart-James today generates upwards of $150 million annually in revenues with 1,370 account executives handling 100,000 accounts in 42 offices around the country.

There's a sucker born every minute. Stuart-James is right in the pattern of First Jersey or Blinder, Robinson. It talks up clients and prospective clients with hope of profits in new-issue stocks. It even delivers some profits to a lucky few. But, according to former brokers from several of Stuart's offices, corroborated by two sworn depositions obtained by FORBES, brokers will routinely pressure those lucky few clients who do get an opportunity to buy a new stock at the initial offering price to sell immediately. What the Stuart-James brokers don't reveal is that as often as not they are simultaneously pressuring others into buying the same stock at huge markups.

Neat, isn't it? They urge Jones to take his profits, the stock has had its run. Then they urge Smith to buy the stock, it's a roaring bargain. Conflict of interest? It's closer to stealing.

Well, but didn't Jones make out? Maybe, maybe not. If the Stuart-James brokers did their job properly, the fortunate Jones would quickly be persuaded to reinvest his profits in another stock, this time in the secondary market.

A few stocks have done well. Universal Medical Buildings went public in 1984 at 50 cents a share, and recently traded at $5.38, a gain of almost 1000%. More typical is the case of UMB Equities, a $4 million startup that planned to manage medical buildings. The UMB common shares were priced at 50 cents in the initial offering and during the first day of trading were quoted at $1.50 bid and $2.25 asked. Stuart-James brokers told clients who had bought the shares for 50 cents to sell them quickly at the bid, then secretly crossed those orders with other clients they had told to buy at the offer of $2.25. Stuart-James and the brokers shared the 75-cent spread. The shares were recently bid at 94 cents.

New name, old tactics—Blinder, Robinson tactics, First Jersey tactics.

Take Disease Detection International, a profitless startup that holds a license from another Stuart-James company to develop disease test-kits. The stock is up 108% from its January initial offering price, but those who bought shares when they first began to trade have so far lost a minimum of 20% on their money.

What happened? Stuart-James brokers tell FORBES the stock was manipulated in the same way as UMB's. Prior to the start of trading, brokers were already stroking new-issue clients to sell out at a premium in the aftermarket, without telling them that they were simultaneously rounding up buyers to take over the shares at a still higher price. The secondary buyers were the sheep to be shorn. The lucky new-issue buyers would be lured later into the secondary market to be shorn in their turn.

Concept 90 Marketing is a tiny chain of retail outlets for home exercise equipment. The "track record" distributed by Stuart-James shows the issue up 22% from the January offering price. But investors who bought shares in the aftermarket so far have lost nearly 40 cents of every dollar. In a bull market.

The pattern of enormous spreads between initial offering price and the

asking price on the secondary market repeats itself again and again. In February 1985 Stuart-James brought out Venus Cruise Line, a startup that thought it had a contract to buy a used ship. But the company never got a boat. Shares that were initially issued at 8 cents had promptly leapt to 12½ cents in the aftermarket. Today they might fetch 3 cents, if you're lucky.

Are these exceptional cases? Put it this way: Overall, most Stuart-James clients seem to have lost money during the greatest bull market in history. If you had invested $100,000 in the common shares of all Stuart-James new issues at the lowest asking price on the first day of trading, distributing the money in proportion to the value of newly issued shares of all underwritings, you'd be out about $13,000. Meanwhile, the S&P 500 has been going up roughly 30% per year.

The Securities & Exchange Commission is investigating to see if Stuart-James is cheating its investors. Stuart-James President James Padgett, 44, says the SEC investigators will discover that such allegations are unfounded. Maybe, but much of the evidence FORBES has uncovered suggests that Stuart-James is just another bucket shop.

Padgett was once a part-time Los Angeles car salesman. He was suspended for six months from acting as a brokerage principal for not preventing high-pressure sales tactics and market manipulation in an office under his supervision in the 1970s. His partner, Chairman Stuart Graff, 45, leaped briefly to fame at around the same time as operator of a vacation charter business that went bankrupt after receiving a flood of complaints from customers.

"We are a truly professional and honest investment banking house in low-priced stocks," says Padgett. But read its training manual for new brokers. It sounds professional, but not

The outside track

Stuart-James mails fliers showing most of its underwritings climbing—some by more than 200%. But the gains are based on new-issue prices, which few investors get. Had you invested $100,000 in common shares at the lowest asking price on the first day of trading, you would be out almost $13,000—in a bull market.

Company	New-issue date	Total from offering (thousand)	Hypothetical investment[1]	Secondary asking price	Recent bid	Profit or loss
Microenergy	5/8/84	$2,420	$2,600	$0.219	$0.063	$–1,852
Hitech Engineering	5/11/84	3,000	1,840	0.625	0.406	–645
Mast/Keystone	5/14/84	2,000	1,530	0.156	0.031	–1,226
Universal Medical Buildings	7/21/84	2,300	1,270	0.563	5.375	+10,855
Environmental Diagnostics	7/24/84	2,750	1,350	0.500	1.188	+1,858
Warrantech	10/5/84	2,000	1,530	0.156	0.281	+1,226
U.S. Electronics Group	11/1/84	2,300	1,760	0.156	0.020	–1,534
Rexcom Systems	12/13/84	3,000	1,920	0.125	0.063	–952
Venus Cruise Line	2/12/85	2,024	1,550	0.125	0.030	–1,178
Adcor Electronics	4/19/85	3,400	2,610	0.156	0.010	–2,443
TEL Electronics	6/21/85	3,105	2,640	0.156	0.094	–1,049
Microphonics Technology	8/29/85	2,898	2,960	0.188	0.010	–2,803
Itelco	9/13/85	2,254	2,470	0.156	0.047[2]	–1,726
Independent Air Holdings	10/15/85	3,421.25	3,090	0.156	0.156	0
Denpac	10/22/85	1,650	1,690	0.156	0.125	–336
CXR Telcom	10/29/85	3,105	2,640	0.156	0.281	+2,115
First Stop Professional Services	12/5/85	2,875	2,640	0.156	0.125	–525
UMB Equities	3/14/86	4,025	7,900	2.000	0.938	–4,195
Univation	5/14/86	4,140	3,390	0.125	0.125	0
ASA International	6/25/86	3,450	2,820	0.125	0.188	+1,421
FIND/SVP	10/3/86	4,347	5,710	0.188	0.188	0
Comverse Technology	12/15/86	7,187.5	6,170	0.438	0.094	–4,846
Disc Technology	12/29/86	7,187.5	5,290	0.375	0.313	–875
Disease Detection International	1/22/87	5,175	6,610	0.156	0.125	–1,314
Concept 90 Marketing	1/27/87	4,347	3,700	0.156	0.094	–1,471
Immucell	4/30/87	6,762	7,410	0.156	0.125	–1,472
Microcomputer Software	6/30/87	3,450	4,230	0.125	0.125	0
National Datacomputer	6/30/87	5,865	4,500	0.094	0.094	0
Celerity Computing	7/22/87	8,050	6,170	0.313	0.313	0
Total (rounded)			100,000			–13,000

[1]Allotted in proportion to value of shares in secondary market. [2]Adjusted for 1-for-2 reverse split.

Sources: NASD; Stuart-James; FORBES.

very honest. Brokers are trained to lure you with visions of quick 50% and 100% profits, embellishing the pitch with "power phrases" such as "This is the kind of return you want and you deserve, isn't it?" or "If you're open to making money, now is the time to move. This opportunity doesn't come everyday," or "Don't be fooled by the small amount of money it takes to get involved."

If Stuart-James differs at all from its antecedents in the fine art of the bucket shop, the difference is largely one of appearances. Stuart-James brokers are clean-looking, its offices are neat, and its new stock offerings have an aura of substance and plausibility as business propositions. "Make the casino nice," is how Graff described the idea to a recruit in 1983.

Graff met his partner Padgett in the early 1980s—Graff was head of Blinder's East Coast sales force, and Padgett was a head of corporate finance. In 1983 Graff and Padgett decamped, aware that regulatory heat was crimping Blinder, Robinson's ability to peddle junk stock. They recruited upwards of 80 other Blinder brokers and officers, and set out to start fresh with a whole new operation of their own. "We concluded that there was a viable market for low-priced issues, but it had never been approached by professionals from a higher level," declares Padgett.

Higher level? Eschewing the gold chains and open-necked macho look of Blinder biggies, Graff and Padgett wanted to cultivate an aura of prudence and conventionality. Graff and Padgett? Not the right tone. They used their first names, to give their firm a Waspy-sounding moniker.

For starters, the two set up a clerical system to make sure they didn't lose hundreds of customer records and create a flood of complaints, as Blinder had done. Next, they recruited a handful of graduates from Harvard, Dartmouth and Stanford business schools to add tone to the proceedings.

As a tactical move, they decided to skip the television advertising that helped bring attention—sometimes unwanted attention—to First Jersey Securities, choosing instead to reach potential investors directly by telephone and mail. As a finishing touch, they signed Wall Street's prestigious Skadden, Arps, Slate, Meagher & Flom law firm for some of the new deals. They hired Big Eight accounting firms to evaluate each new deal they planned to bring to market.

Stuart-James brokers routinely mesmerize prospects with nonstop talk of "getting some new issue." The hitch is that 75% of the firm's clients don't get "new issue," but wind up playing the proverbial role of the greater fool, buying on the secondary market after the stock has already seen huge gains *(see table, p. 33)*.

In their earlier careers the Stuart-James partners learned their craft well. As at Blinder, Robinson, Stuart-James brokers are taught to land new accounts with a "three-call close" system. In the first, they build rapport—"Relax, I'm not calling to sell you anything." In the second, they find out how much money the client has and set him up with a snippet of "hot news" about an unnamed company. In the third, they close the sale—"Would 50,000 shares be all right or would you like to take a stronger position of 100,000 or more?"

As the table shows, on an overall basis Stuart-James customers would have been far better off since 1984 in an unexciting mutual fund or even in a savings account. Stuart-James principals, on the other hand, fared magnificently well. The firm's net profits, FORBES estimates, are around $20 million a year. Padgett and Graff together own 90% of the brokerage's closely held stock.

As for the customers, a fool and his money. . . . ■

In olden days, the FDIC insured just plain old bank CDs. Now, heaven knows . . .

Anything goes

By Laura Jereski

THE FEDERAL DEPOSIT Insurance Corp. is supposed to cover deposits, whatever that means," says Roger Hood, assistant general counsel of the bank regulatory agency. "How the bank makes its money is up to it."

It sounds as if Hood is saying that the government agency stands behind the deposits no matter how irresponsibly the banks handle their affairs. And that is precisely what he is saying. Ever since interest rates on deposits were deregulated 18 months ago, the FDIC has been insuring a broader range of bank investments—many far beyond those that existed when deposit insurance was invented.

For example, since early this year cautious bulls could play the stock market—FDIC-insured—several convenient ways. They could invest in Chase Bank's Market Index Investment CD, a certificate of deposit that pays up to 70% of the gain in the S&P 500 stock market index. Or they could invest in similar certificates issued by The Northern Trust Co. in Chicago. Or they could get fancy and buy a straddle, going long and short simultaneously through matching bull and bear certificates, courtesy of Fleet National Bank in Providence, R.I.

Comes now Peter Roberts, a 36-year-old investment banker late of Lazard Frères. He is marketing a CD that matures into the cost of a year of college (room and board included), whenever you want from now until the year 2012, no matter how much college costs may rise in the meantime. All through Roberts' newly incorporated College Savings Bank of Princeton, N.J., capitalized with $16 million by a group of Lazard Frères partners and associates. And it's FDIC-insured, of course.

The bank sells a CD that guarantees to pay some unknown amount in the future. Here's the pitch: On the basis of an index of current college costs calculated by the College Board, units will be priced according to the average cost in the year the CD is sold. As college costs rise, so do the values of the CDs. Now doesn't that

CD sound more like an insurance policy than a bank product?

After all, you say, how can a bank guarantee to match a rate of cost increase that currently is running at twice the rate of consumer price inflation? Aren't there some tax problems in all this? The investor will have to pay taxes on the appreciation of his CD, which cuts the return. That means the CDs will have to outperform even the rise in college costs.

Never mind. Roberts claims the CollegeSure CD, as he calls his product, will do that. How does he plan to arrange it? Roberts charges the investor a $3,000 premium over the average cost of a year at a private college (currently $11,300). That means he needs to earn less on his investments to fulfill his promise.

And what about those investments? Roberts will put his depositors' money in assets that mirror the interest sensitivity of the CDs themselves. So, the more inflation goes up, the more those hedging assets have to rise. The bank's investment strategy calls not for loans but for such mortgaged-backed securities as GNMA and FNMA certificates, hedging the portfolio with futures, options and interest-rate swaps.

Very interesting, but is this what the FDIC should be insuring?

Answers Ken Quincy, chief of corporate application for the FDIC's division of banking supervision, "We had to run that question through our legal division: Does this qualify for FDIC insurance? And it does."

To determine whether or not College Savings Bank merits federal insurance, the FDIC looked at six factors, including the quality of its management (most College Savings' incorporators are Lazard Frères general partners) and the bank's investment policy (investing in futures is not necessarily inconsistent with prudent banking practice).

How does the FDIC feel about the situation? Not great, but as its general counsel said: How the insured money is invested cannot be controlled by the insurers. "There's just not much we can do," shrugs FDIC's Quincy. ■

James Lukaski

Peter Roberts of the College Savings Bank
Promises, promises.

If you think that the FSLIC is going to borrow its way out of trouble, think again.

Après moi . . .

By Allan Sloan

When Louis XV, king of France, was asked about his country's problems, he answered, "Après moi le déluge." When you ask M. Danny Wall, chairman of the Federal Home Loan Bank Board, whether borrowing $10.825 billion will solve the problems of insolvent S&Ls cluttering the landscape, his answer is, "The next Administration will revisit the issue."

Don't blame Danny Wall for the policy he inherited. He's not royalty, he's a recent political appointee. The policy calls for Wall to borrow $10.8 billion to "recapitalize" the Federal Savings & Loan Insurance Corp., which guarantees S&L deposits. It would have made more sense—and been more honest—just to appropriate the $10.8 billion from the Treasury. That would save interest charges (since the Treasury borrows more cheaply than Wall's new Financing Corp. will) and at least tell us taxpayers that we have a problem.

Instead, Congress and the Administration set up a complex scheme *(see box p.36)* to avoid increasing the budget deficit and to make it look as if S&Ls can solve their own problems.

It's this ostrichlike thinking that has caused much of the difficulty. A few years ago FSLIC decided it couldn't afford to close insolvent S&Ls because it would have to charge its insurance fund large amounts. Instead it declared them failed, but reopened them under FSLIC auspices.

These so-called zombie S&Ls—the living dead—racked up hundreds of millions of dollars a year in losses and helped bust the insurance fund.

The $10.8 billion "recapitalization" is yet another way to postpone facing the inevitable. This massive borrowing boils down to one fact: A substantial portion of the deposit insurance premiums the FSLIC will receive over the next 30 years will go to pay interest on a debt incurred to pay for a solution that will work only for a few years, if that. With so much of the premiums going to pay interest, there will be little or no buildup of reserves for future problems.

Even Danny Wall concedes that, barring exceptional luck, there is no way that $10.8 billion will solve today's problems, let alone future ones. "No one has suggested that the issue will have been dealt with," he says.

Drop in the bucket

The proposed recapitalization of the Federal Savings & Loan Insurance Corp. is devilishly complicated, because the FSLIC must go through contortions to convince lenders to ante up $10.825 billion to buy paper that is not guaranteed by the federal government. A new entity called the Financing Corp. (FICO) will borrow the money, then shuffle it off to the FSLIC to help close or sell busted S&Ls. FICO will use cash (up to $3 billion) contributed by the 12 Federal Home Loan Banks to buy zero-coupon government securities. The zeros, placed in a segregated account, will guarantee repayment of the principal FICO borrows. To pay the interest, FICO has first claim on the deposit insurance premiums paid by S&Ls. All this will produce $10.825 billion (less transaction costs)—a drop in the bucket for coping with the problem.

It's easy to see why. The information statement describing the proposed new securities notes that "approximately 275 institutions, representing approximately 10% of total aggregate deposits, may require assistance or liquidation." Translated, that means S&Ls with $90 billion of deposits are probably busted. Since it usually costs a minimum of 20% to put bad cases to sleep, at least $18 billion is needed. And that's only for the immediate problems.

These problems stem largely from bad loans and sour investments. With long-term interest rates up two points since January, it's more than likely that a whole new group of S&Ls—the ones that still insist it's safe to borrow short, lend long and go unhedged—is going to be in trouble very soon.

Most of the analysis of the recapitalization has concentrated on whether the new Financing Corp. paper, to be issued over three years or so, is a safe investment. That's almost beside the point.

The real question we should be asking is whether it makes sense to mortgage 30 years of deposit insurance premiums for a temporary fix, as the new financing plan proposes. Louis XV's grandson went to the guillotine. He couldn't pass the problem on to his successor. ■

Echo Bay Mines' Bob Calman has been smart and lucky, and his company has grown very rapidly. So has its stock price.

Men who moil for gold

By Howard Rudnitsky

"IN THE GOLD MINING business," Echo Bay Mines Ltd. Chairman Robert Calman says, "it helps to be lucky as well as smart." Sure does, and Calman has hit the jackpot. Late last year Echo Bay paid Tenneco Inc. $130 million for three operating gold mines and some exploratory acreage, largely in west-central Nevada's arid hill country. Included was the McCoy property, bought in the 1960s by Howard Hughes. A mile from McCoy but not part of Hughes' estate, was the unexplored Cove site. Tenneco had planned to explore Cove this year but sold out to Echo Bay instead.

Losing no time exploring the Cove site, Bob Calman and Echo Bay's shareholders were richly rewarded this year when Echo Bay discovered gold—currently known to be 1.2 million ounces of recoverable reserves plus 53 million ounces of silver. The present value of those reserves, figur

ing at $456 an ounce for gold, comes to over $500 million.

Thanks largely to Cove, Oppenheimer & Co. mining analyst John Tumazos expects Echo Bay to triple its recoverable gold reserves, to 15 million ounces, within a few years. This would transform Echo Bay from a second-tier mining company into the second-largest gold producer in North America, after Newmont Mining.

The Cove mine is Calman's biggest success but not his first. In the early 1980s, when Echo Bay Mines was still part of IU International (the mining company was spun off in 1983), Calman proved that, for a relatively modest investment, he could develop a sizable gold mine at Lupin, in Canada's Northwest Territories. Battling the Arctic climate, Calman and his engineers made Lupin run efficiently and profitably. Lupin's gold production has risen by over 60% since 1982, to 195,000 ounces, while costs dropped from $236 an ounce to $178.

But neither Calman nor geologist John Zigarlick, Echo Bay's president, had any intention of becoming a one-mine mining company. Supported by the Lupin mine's cash flow, they began scouting other gold mining properties in the U.S., where, says Calman, "the weather is a piece of cake compared with the Arctic."

In 1985 Echo Bay paid $55 million for a 50% interest in Nevada's Round Mountain, an open-pit heap-leaching operation with gold reserves requiring sophisticated chemical treatment for extraction. As operator of the mine, within a year Echo Bay increased production by 21% and reduced the cost of production by 15%. So successful has Round Mountain been that Echo Bay and its partners have decided to invest $140 million to increase production to 300,000 ounces a year by 1989, nearly twice 1986 levels.

Calman is also prospecting at nine small gold properties. The company's share in these mines should, by 1991, produce 275,000 ounces of gold. Echo Bay has also taken a flier, for about $1 million, on the old high-cost Alaska-Juneau gold mine, which has been shut since World War II. A cost feasibility study will commence next year, a year ahead of schedule. Says Oppenheimer's Tumazos: "If the Alaska-Juneau prospect proves feasible, it could be a 4-million-ounce gold deposit."

But it is Cove's 1.2 million ounces of recoverable reserves that has the analysts excited. That estimate is based on drilling in the central section, but step-out drilling holes to the northeast suggest the deposits could be much more extensive.

Robert Calman (left) *and John Zigarlick*
The better one manages, the luckier one gets.

If this tempts you to buy the stock, consider this: Since it was spun off from IU International, Echo Bay's market value has climbed from $250 million to $2.6 billion—from $4 a share to $27.50, adjusting for splits. Echo Bay is selling at over 50 times this year's likely earnings and at a small premium to the value of its proven and probable reserves.

But while the stock is no screaming bargain, the high price is by no means outrageous, given the company's skill and good luck. Says Calman: "We concentrate on increasing gold production and reserves per share and reducing mining costs, and this we do reasonably well." The better one manages a company, Calman is saying, the luckier one gets. ■

Looking for a smart spot to launch a securities scam? Get yourself a desk in a respectable brokerage office.

The stranger in the corner

By Deirdre Fanning

SUPERVISING A LARGE retail brokerage network has never been easy in a bull market. All those eager young brokers, all that money to be made—and all that greed to contend with.

Like a skeleton in a closet, a three-year-old secret has been haunting the Greenwich office of Shearson Lehman Brothers, and now it has lurched abruptly into public view in a Connecticut federal court. Court proceedings have revealed that for a two-year period, from 1982 to 1984, Shearson allowed its Greenwich office to be used by a smooth-talking hustler who set up shop there and, passing himself off as a Shearson employee, separated

some 70 gullible investors from more than $2 million.

More embarrassing still, it turns out that he was not the first such person to cause a big problem in the Greenwich office. Before him came two other con men who really were Shearson brokers and who sold illegal commodities pools.

The story begins in 1979, when these two Shearson brokers hit upon the bright—but wholly illegal—idea of selling shares in an unregistered commodities pool through a Bahamian shell corporation. In 1983 Connecticut banking authorities, acting on complaints from Shearson clients who had lost money in the pools, slapped cease-and-desist orders on future trading in the pools.

Shearson's New York bosses volunteered to launch a local housecleaning: A new training program for Greenwich brokers would be instituted, and a three-man management team would be installed to replace the branch manager whose oversight had let the scandal happen.

Unfortunately, the new system failed to stop Herbert Kirschner, a private investor who walked into Shearson's Greenwich office one day and opened an account.

Kirschner promised to generate hefty commission income. So no one objected when he asked to use one of the spare desks, telephones and a Quotron terminal in the office. Kirschner said he simply wanted to keep abreast of the market to help decide which stocks to buy and which to sell.

Soon Kirschner had set up and was running his own investment firm, H.M.K. Management Corp., from that desk, using the trappings of the Shearson office to give him credibility. He used Shearson stationery purloined from a cabinet; he had business cards printed that listed Shearson's phone number as his own (consequently, whenever a client called, Kirschner's telephone was answered, "Hello, Shearson").

He began working his Rolodex, peddling unregistered promissory notes backed by H.M.K. Management Corp. and promising yields of 15% to 22%, more than enough to entice investors even during the period of superhigh interest rates then prevailing throughout the economy.

The affable Kirschner would turn up at the office regularly, settle behind his desk amidst more than 40 Shearson brokers and begin receiving visitors and taking calls.

Within two years Kirschner had rounded up some 70 clients and more than $2 million through his promissory note gimmick, reports William Laviano, attorney for several of H.M.K.'s investors. According to Laviano, Kirschner had promised to invest the proceeds conservatively but soon began aggressively speculating with the money in the commodities market—apparently generating fat commissions for the brokerage firm but losing every penny of his clients' funds. Kirschner refused to comment on the matter for FORBES.

In late 1984 Kirschner declared personal bankruptcy. His investors turned to Shearson for redress, and the Connecticut Banking Commission became involved, declaring in a letter to the Connecticut Attorney General that "Shearson failed to discharge its affirmative duty to properly supervise its personnel and office facilities."

The commission added: "Shearson should be held liable for the full amount of the losses incurred by the Connecticut investors who invested with Herbert Kirschner." ■

Mortgage banking used to be easy money until interest rates began to rise. Now the question is what to do . . .

After the feast

By Jack Willoughby

IT WAS LIKE having root canal work. Everything went up the chute."

The speaker was Raymond Miller, 53, president of one of New England's largest and, until recently, most profitable mortgage banks. In 1986 his firm, ComFed Savings Bank (assets, $1.4 billion), was enjoying the U.S.' hottest real estate market. Now ComFed stock sells for half what it did then. At times he reflects on 48 gruesome hours when interest rates rose, home lending slumped and months of planning went out the window.

Miller's problem is an institutional overhead incapable of bringing in the mortgage business it was created to generate. Mortgage banks throughout the country are in the same bind, but ComFed's plight is among the worst because the firm expanded more aggressively than most. Thus his salvation plan looks all the more audacious: Retrench some, expand more.

Lowell, Mass.-based ComFed found what looked like a license to print money five years ago when it entered mortgage banking. The business basically consisted of writing large volumes of home mortgages and selling them to investors in securitized form, either as so-called Fannie Maes or Freddie Macs. Profits come from the large fees lenders collect, first as originators of the loans, and later for servicing them in the after-market.

Richard Wood

ComFed's President Raymond Miller
Hanging tough as rates rise.

Many savings and loans have recently been attracted to mortgage banking *(see p. 57)*, but few had better results than ComFed. From 1982 to 1986, profits grew 147%, to $24.2 million, return on equity averaged 30% and the stock price went from a split-adjusted $2.30 to over $22. Why? A strategy of go-for-broke expansion that pushed its loan-service portfolio

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from $162 million in 1982 to $2.8 billion by the end of 1986.

Under Miller's lending ace, 38-year-old James Baldini, president of ComFed Mortgage, mortgage banking soon overshadowed the parent thrift altogether, contributing 75% to total corporate earnings in fiscal 1987. As interest rates declined, the bank profitted as well on the spread between the homeowner mortgage rate and the yield the bank later offered investors as rates fell.

This seemed like risk-free banking, but ComFed's growth meant surging operating costs. Between 1984 and 1986 overhead doubled, to $60 million annually, as branch offices multiplied. Out of those offices marched legions of ComFed's well-paid brokers, spurred on by Baldini, who himself earned $2.7 million last year in salary and bonuses.

Then came spring's interest rate reversal, when Japanese investors got jumpy about holding dollar-denominated securities (FORBES, *Sept. 21*). Overnight, everything changed. "The feast is over," says Miller now. "The market's changed, the pricing's changed, and so has the competition." Markdowns on unhedged mortgages contributed to the bank's $6.9 million second-quarter loss.

Many of ComFed's competitors responded by shutting offices and hunkering down. Miller decided instead to fight by expanding. The plan: to grab a bigger share of a declining market, in part by increasing the bank's $300 million portfolio of prime-plus commercial loans. One part of the plan will be to add 48 new loan officers to the staff, with much of the total staff's efforts being directed toward small commercial borrowers supposedly ignored by bigger banks.

This is a high-stakes gamble, for competition is tough and the pickings are getting slimmer. Cititrust Co. of Bridgeport, Conn. is just one of a growing number of regional lenders now competing for the same borrowers. Big mortgage bankers like Citicorp are also offering mortgages with below-market "teaser" rates. Worse, all of them can expect increased difficulty in selling their mortgages in the secondary market as quickly as in the past, now that rates are rising. ComFed already has $200 million in unsold mortgage loans.

Yet Miller is hanging tough. Just because mortgage banking has, for now at least, stopped being the money-spinner it was a few months ago, doesn't mean he's ready to quit. In Las Vegas, they'd call his bet doubling down. ■

Call it greenmail, if you must, but at least CPC shareholders got something as a result of the effort to get rid of Ronald Perelman.

Back to business

By James Cook

AN ABORTIVE TAKEOVER the best thing that ever happened to the company? James R. Eiszner, the tall, tanned boss of Englewood Cliffs, N.J.'s giant CPC International Inc., winces at the suggestion. Raider Ronald Perelman did indeed try to take over CPC last fall. But, as Eiszner makes clear, that's not the reason for CPC's currently lofty stock price or for the 27% increase in its first-half earnings from operations. "Mr. Perelman came along," Eiszner says, "and perceived the marvelous opportunity we had been telling the financial community was available to them. Now everybody perceives it."

Eiszner has a point. Over the past 30 years CPC has built one of the most profitable and successful companies in the food business. It had the sense to move away from the commodity-oriented corn wet milling business—turning corn into sweeteners and starch—and into higher-profit specialty foods like Hellmann's mayonnaise, Mazola corn oil, Skippy peanut butter and Thomas' English muffins. At the same time, it expanded on a global scale, advancing from Europe and the U.S. into some 47 countries on five continents, where risks are greater but growth commensurately high. CPC has been at it for years now, and Jim Eiszner sees no reason to change it.

Perelman undoubtedly stepped up Eiszner's pace. To begin with, Eiszner decided to buy back up to 20% of CPC's outstanding shares, and for a start laid out $357 million for 8 million shares Perelman sold simultaneously to Salomon Brothers. CPC picked up the Perelman shares at $44.25, the then-current market. That was nearly 50% above the 30 it was trading at months before.

Call it greenmail, if you must, but CPC stockholders weren't left in the cold. After Perelman was out, CPC split the stock 2-for-1 and increased the dividend by 12.7%. The stock is currently around 55, 25% higher than Perelman sold out at.

To finance its buyback program and still make a couple of vital acquisitions it had in mind, CPC increased its outstanding debt by over $800 million, lifting its debt ratio from 33% to 56%. That's an inordinately high level for a company as conservative as CPC. To pay down that debt, CPC sold both its 50% equity in a Japanese food company and a 50% interest in its food operations in six other Asian countries to Japan's Ajinomoto. That brought in $340 million, and it will continue to yield CPC nearly as much in fees for the use of its technology and trademarks as it was getting in equity earnings. Eiszner thinks that worked out pretty well.

But putting the $1-billion-a-year European corn wet milling operation up for sale is another matter. It created such uncertainties about its future that competitors were able to make heavy inroads on its business, not only driving down the value of CPC's assets, but also wiping out the $30 million to $35 million it would normally have earned from those operations in the first half. Last month however, CPC finally wound up a deal to sell the business to Italy's Ferruzzi Group for over $600 million. That's only a break-even price, but it does supply more cash for debt reduction and will eventually cut overhead by $25 million to $30 million.

Considering the effect on employee morale, Eiszner thinks that Perelman's assault did the company more harm than good. Not counting a one time $1.53 a share in capital gains mainly from the Ajinomoto sale CPC's first-half earnings were up 27%, to $1.13. But they would have

gone up anyway, thanks to a 21% gain in operating income. Put it another way: The aftertax interest cost of the debt CPC ran up to buy in shares is not far from the aftertax earnings on those shares.

Meanwhile, Eiszner has been weeding out various smaller operations—specialty chemicals, its South African subsidiary, old standbys like Bosco chocolate syrup and Mrs. Fanning's Pickles—that do not meet CPC's goals. But their effect is small. Outsiders keep expecting CPC to sell off its big U.S. corn wet milling business. "In today's economic world, anything can be sold," Eiszner says, "including Hellmann's. The question is, at what price? If I can make more money selling the corn wet milling business than I can by operating it, so be it. We plant a few seeds every year, new businesses that will be sprouting somewhere down the road, and we now see there is a time to harvest some of these businesses."

This year CPC is beginning to harvest the yield on the heavy investments it has been making in rebuilding its corn wet milling plant at Argo, Ill.; a new mayonnaise and Mazola oil plant in Bayonne, N.J.; a pasta plant in Warminster, Pa., and the introduction of what look like two big new product successes—Hellmann's Light Mayonnaise and Mueller's Salad Bar Pasta.

For the future, Eiszner has created a special baking unit, combining S. B. Thomas with Arnold Foods Co. and Old London melba toast products, which CPC acquired last December for $145 million. He's stepping up the introduction of new products in the U.S.—a line of foods to be marketed in Puerto Rico and a group of cooking bases (chicken, beef and so on) for CPC's food service operations.

Eiszner is acutely aware that CPC's under-par earnings record in the mid-1980s was partly responsible for attracting a Perelman to the company. That was, in part, because of the currency fluctuations CPC is exposed to in its international operations. So the impulse, Eiszner concedes, is to pull back overseas: "I keep saying I would like a bigger U.S. base, but I find much more rapid growth rates in Latin America and Asia. Americans are eating all they can, so in the U.S. you just swap market share. But outside the U.S. the market is expanding. The result is that we're positioned for more rapid growth than the average food company."

Even so, Eiszner is anything but complacent. "In today's investment community," he says, "no one is safe." A few years ago CPC considered merging with another company of comparable size to protect itself from a takeover, and Eiszner dismissed the idea. Rightly, he says. Look at what happened to much larger companies like Beatrice and General Foods. "The best way to feel safe is make sure that the investment community understands the opportunities and growth for CPC."

Raiders like Perelman would put it another way, of course: Maximize stockholder values. ■

Kelley-Mooney

CPC's boss James R. Eiszner

Did Ron Perelman see what everyone else now sees?

Changing times

Restructuring is nothing new to CPC International. Over the past 30 years, it has moved beyond commodity-oriented corn wet milling into higher-margined specialty foods . . .

. . . and from relatively slow-growing domestic markets into far faster growing international ones.

*After sale of European corn wet milling business.

Home equity loans are not the banking bonanza they were cracked up to be.

Second thoughts on second mortgages

By Ben Weberman

REMEMBER THE RUSH into the home equity loan business? These loans—second mortgages, as they used to be called—were going to be the bankers' salvation from that long, steady stream of loan defaults by Third World countries, oil producers and farmers. After all, home prices go up and up forever, don't they? Last year experts such as Michael Moebs, chairman of Moebs Services, were talking about outstanding home equity loans reaching $50 billion to $75 billion by August 1987.

Actual results, however, have disappointed the bankers. According to recent surveys of lenders, total home equity loans on June 30 stood at an estimated $35 billion.

It seems that consumers were not nearly so enthusiastic about the product as the bankers—except when bankers were willing to give it away. Which is just what some of them were doing. Barnett Bank of Jacksonville, Fla. absorbed closing costs of up to $1,000, for instance, and Dominion Bank of Middleton, Tenn. charged no interest for 70 days. Plenty of lenders had introductory rates under the benchmark rate, which may be the prime or six-month T bills. The transaction turned profitable only after the mortgage climbed to several points over the benchmark—but at that point, a lot of borrowers simply paid off the loan.

Authorized lines of credit may be much higher, but even optimist Moebs concedes that debit balances are falling short of predictions. That total figure of $35 billion is only 1.3% of the $2.7 trillion in bank and thrift loan portfolios.

Lenders are already backing away. Commerce Union Bank in Nashville is typical. Robert Heiner, senior vice president of marketing, says growth has slowed considerably. It is running one-quarter to one-half of the level during the bank's earlier promotions. But the bank ended promotion in February, so the slowdown is not surprising, he says.

David Olson, research vice president at SMR Research in Budd Lake, N.J. says, "There has been very heavy discounting. A lot of the banks have started to figure out the profitability, and discovered there was none."

Here's one reason. The 8.7%-to-14% second mortgages may be cannibalizing the banks' own 15%-to-19% auto and credit card loans. As for cutting loan losses, the safest auto loan and credit card borrowers—namely, the ones who have built up some net worth in their homes—are the ones in a position to switch to second mortgages. Thus, the expansion of the home equity line of business may not be accompanied by a commensurate increase in the quality of a bank's loan portfolio.

At Provident Institution for Savings in Boston, E. William Mullen, vice president for consumer credit, says that home equity lending is "right on target" at $5 million a month. But it has eaten into even more profitable kinds of consumer lending. Says he: "It's been terrible for our other lines of consumer lending. Our unsecured personal loans and car loans are down, even credit card [balances]. People are getting rid of their 18% cards and using lower-cost loans to pay them off."

One reason homeowners haven't been borrowing more is that the tax break on mortgage borrowing cannot be taken for granted. The fine print in the new tax law says that interest on second mortgages is fully deductible only if the combined mortgage debt on the property does not exceed the original purchase price, plus improvements. There are exceptions if mortgage proceeds are used for educational or medical expenses. But lenders in pursuit of this business have not always been entirely candid about the new rules.

Mortgage expert Moebs has one more explanation for the disappointing volume: "People consider the equity in their homes sacred. It constitutes between 60% and 90% of most persons' wealth. And they are afraid to tap into it. This is the point I really missed in my miscalculation of the market potential." ■

John Segal

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There is only one Indian name among our billionaires and it's not Tata, India's world-famed industrial pioneers. Why?

Millions for expansion but not one cent for tribute

By Subrata N. Chakravarty

CONSPICUOUS by its absence on our list of world billionaires is India's Tata family, that fast-developing country's pioneering industrialists. Not that the Tatas are poor, or that they do not exercise great power. But for sheer wealth, the family takes a backseat to many relative Johnny-come-latelies—and thereby hangs a tale.

Founded by Jamsetji Tata in 1868, the Tata group of companies was the first in India to build modern industries. The group today consists of some 75 companies in everything from steel, power generation, trucks and chemicals to electronics, consulting firms and luxury hotels. The group controls assets worth around $3 billion.

Much of the Tatas' wealth has been given by the family to their country over the decades. Over 80% of the stock of Tata Sons Ltd., the group's holding company, is owned by charitable trusts; the family owns barely 1.5%. The Indian Institute of Science was endowed by Jamsetji Tata. Many other prestigious Indian institutions have grown from other Tata largesse. Nor have the Tatas squeezed every last rupee from their workers—as is common in developing countries. Tata companies introduced an eight-hour workday, leave with pay, worker bonuses, health care and other benefits long before some British and U.S. workers enjoyed them.

The Tatas' empire in India has become stagnant in recent years, but more for reasons of politics and policy than because of poor management. To put it bluntly, the Tatas refused to pay the bribes to government officials and politicians that have become the norm in India's highly controlled economy.

Chandu Mhatre

J.R.D. Tata, head of the Tata group
"I like a little danger."

There's an irony here. In India as elsewhere, socialism leads to corruption: Yet J.R.D. Tata, present head of the house, was an early supporter of India's mixed economy, whereby the government owns many businesses and regulates the rest. Tata, young at 83, has been chairman and head of the Tata group of companies since 1938. In the early 1940s he believed there was an acceptable form of socialism and became a leading advocate of national economic growth through a partnership between government and industry.

"In those days," Tata recalls, "Mahatma Gandhi and the Congress Party were very friendly toward industry and business. There was none of that hostility toward the private sector that Jawaharlal [Nehru, India's first prime minister] brought into his belief in the wrong kind of socialism. I really thought, back then, that the government would want us."

Having supped with the devil, Tata soon got indigestion. India's economic policy was co-opted by Nehru's British-educated Fabian Socialist ideologues who despised and mistrusted business people. Under Nehru, a forest of industrial licenses, price controls and other arbitrary rules grew. If they couldn't yet do away with private enterprise, at least the bureaucrats would tell it what to do and when. Says Tata: "In the economic field, India has become the most bureaucratically regimented country in the world, other than Russia and its satellites."

Once they had the final say, the bureaucrats could decide who got permission to expand and who didn't. The payoff became the rule, not the exception. Many industrial groups paid up and worked the system to their advantage. But the Tatas held themselves to a higher standard and, for the most part, refused to play by the new rules.

Not playing by the new rules exacted a price. Tata companies have been refused government permission to enter such new and profitable fields as synthetic fibers, passenger cars and minicomputers. The group's joint venture with PepsiCo has been stalled for years by rival businessmen who do not hesitate to use their political connections. Says Tata with some bitterness: "If Tata had acted the same as others, we would have been twice as big as we are today."

Ratan Tata, 49, chairman of Tata Industries and J.R.D.'s probable successor, is an outspoken U.S.-educated executive. Barred from entering new industries, Ratan Tata says: "We focused on the businesses we were in and modernized them." As a result, Tata Iron & Steel Co., India's only privately run steel plant, is also the only consistently profitable one—despite government protection of all steelmakers—with a 10% net margin. Tata's power companies operate at almost 90% of rated capacity, vs. under 50% for government-owned power plants. And although the Birla Group now has higher sales, the Tata companies earn 64% more.

Their expansion into new businesses constrained at home, the Tatas moved overseas. Examples: The Taj group of luxury hotels now has 13 projects overseas, mostly in the U.S. and U.K. Tata is manufacturing trucks in Malaysia. Refused permission to make minicomputers in India, Tata set up a joint venture in Singapore with California's Elxsi Ltd.

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Nehru's grandson, Rajiv Gandhi, became Prime Minister in 1984, private businessmen, the Tatas included, have been encouraged to grow. The red-tape Frankenstein hasn't been destroyed. But Rajiv Gandhi's government is genuinely trying to tame it by limiting the number of approvals and other barriers big companies must overcome. This has enabled the Tatas to expand truck manufacturing capacity, build a large new power plant, and enter new fields like fertilizers, oil refining and oil drilling equipment. In all, the Tata group is committed to investments over the next few years totaling some 50 billion rupees (almost $4 billion), which will more than double the group's asset base.

It has often been said that one of India's most underused resources is the talent and skill of its business people. The Tatas represent Indian business people at their best. J.R.D., the patriarch, was India's first certified pilot back in the 1920s. He inaugurated the first commercial air service in India in 1932, and remains, even at his age, a devotee of fast sports cars and skiing.

"India has become the most bureaucratically regimented country in the world, other than Russia and its satellites."

"A skiing partner of mine told me I look at life a little like a fellow who's holding in his hand a grenade with the pin removed," says Tata, who chipped a hip skiing last year. "It's true. I like a little danger."

The danger he is currently courting involves loosening the ties that have long bound the different family companies together. J.R.D. Tata has been decentralizing the management. Formerly, the chairman of Tata Sons, the holding company, automatically became chairman of all the group's companies. But Tata has systematically turned the chairman's titles over to operating managers, few of whom are of the family. It is a risky decision: Ratan Tata, outspoken as usual, says he begged his cousin "to step down in favor of a single person in order to hold it all together." But J.R.D. Tata thinks the time has come to let the corporate children go their various ways bound only by their shared values. No doubt his chosen successor, Ratan Tata, will make a mark on Indian business, but he will probably never play the powerful part his namesakes did. ■

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THE PEOPLE AND PLACES OF WESTIN
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A lot has changed at National Car Rental System since PaineWebber Group bought it nine months ago. But has it added value?

First, kick the tires

By Steve Weiner

WITH A LITTLE LUCK to go along with months of frantic work, the new management may strike it rich soon at $630 million (revenues) National Car Rental System Inc. Chances are that PaineWebber Group Inc., National's majority owner since Jan. 1, will move to take the Minneapolis-based company public later this fall.

If so, it will be a testament to the skills of Vince Wasik, National's chief executive officer, as a cost-cutter and promoter. In just nine months, he has pared $1.6 billion of debt to about $750 million, reduced expenses by about $20 million, and more than doubled earnings before interest and taxes despite a market share decline. The $459 million price paid to Household International by PaineWebber and its partners—chief among them Wasik's own Fidelco Capital Group—still looks generous to a fault. It works out to 28 times 1986 earnings at a time when the 30 Dow stocks were at 14 times earnings, the Forbes 500 at 16. But in the current environment of higher charges for rental cars, relatively stable interest rates and a still strong stock market, National looks livelier and more competitive than it has in years.

Should National go public, prospective buyers should nonetheless beware. The new owners have riled many franchisees, who account for about 25% of the business. Two-thirds of the company's old officers are gone, including most of the old operating executives. And the true cost of some of the quick-fix steps Wasik has taken to plump National for market have yet to be reckoned.

Wasik himself is something of a riddle. For all his undoubted gifts as a manager, he often exaggerates facts to fit his purposes. He tells people, for instance, that he created the Hertz No. 1 Club while he was an executive there during the 1970s. The record shows he didn't—Wasik admits it when pressed—and it also shows that he was fired in 1980 as chief of Hertz' car rental business. Wasik brags that National's auto fleet, at an average age of 7.5 months a car, is the youngest in the industry. In fact, both Hertz and Avis have younger fleets. And he says profits "skyrocketed" when he was president of Holland America Line, the cruise and tour operator. In fact, that company took a $38.5 million loss in 1983, the year Wasik left. When reminded of this loss, Wasik backed off his claim. But long-time associates say hyperbole comes easy to him.

Wasik's claims about the surge at National, nevertheless, should not be entirely dismissed. A lot of what he has done is bright, innovative and promising. The trick is to remember that in a mature business like rental cars, miracles don't happen.

As operated by Household, National sometimes was profitable mostly because of tax breaks. The company earned $16.2 million on revenues of $889 million in 1986. Two-thirds of that profit came from car and truck leasing businesses that have been sold or are for sale. Household, investment bankers say, had wanted to sell National for years.

Wasik has pumped up National's marketing program with an eye toward luring more customers who rent cars ten times a year or more. One device: the Emerald Club. Members pay fees to join, then win prizes, such as free trips or cars, by amassing points for every car rental.

Emerald Club members, just 1% of the customer base, already account

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for 10% of National's business, and its members rent from National twice as frequently as they did before.

Traditionally weak in California, National this month began promoting California Classics, a group of 100 restored mid-1950s cars, and Pacific Coolers, a group of 50 new Corvettes, in Los Angeles. One planned promotional gimmick has a certain flair: a Santa Monica beachside party featuring the cars, a reconstructed Fifties-vintage drive-in and roller-skating waitresses who look like Marilyn Monroe. Other niche cars include old Jaguar XKEs for San Francisco and minivans for vacationers.

To win more corporate business, National plans by mid-1988 to install 50,000 card-activated cellular telephones in its larger cars at no additional charge. The phones will permit National to launch a no-waiting express program. Customers will skip the counter and instead go directly to their cars, checking in by activating the cellular phone and showing the guard a driver's license.

And in a program that Avis says it may copy, National now offers discount rates to customers who pay in advance; people who cancel pay a 25% penalty, as they do with some airline discount plans.

Wasik has ferociously cut costs. He saved $6 million by collecting on all potential warranty claims, $3 million by renegotiating gasoline purchase agreements and $7.2 million by participating heavily in manufacturer incentive programs for cars like the Nova. He has shut dozens of low-profit locations and reduced the fleet by about 7,000 cars.

The net effect? "A phenomenal turnaround in profits. We're going to have a fantastic year," says Wasik, although he won't offer specific numbers. But that's why a pleased Donald B. Marron, chairman and chief executive of PaineWebber and chairman of National Car, says his staff is studying "possibilities," including a public offering. Another possibility: selling to a bidder who fails to win Hertz in the auction of that property by Allegis Corp.

Several details mar this otherwise cheery picture. For one, National has given up market share, refusing, for instance, to rent to people under 21 and to others who present a high-risk profile. One critical factor, airport market share, is down from about 20% a year ago, to near 17%. Wasik's fleet reductions saved money, but franchisees say they also sharply reduced one-way rentals, which can represent 10% of the business at times. And the Emerald Club program, while providing a quick revenue fix, may cost money when members collect prizes next year.

Competition, meanwhile, remains fierce. Both Hertz and Avis, for instance, are testing high-tech check-in programs of their own and are maintaining advertising at a time when National is reducing it in favor of less-costly promotions. National's leisure-rental business emphasizes large vehicles, but vacationers are equally interested in low rates.

All of which leaves Wasik unimpressed. "You can't buy a cup of coffee with market share," he says, "only with profits." That's what he seems to be building at formerly sleepy National. But when this one comes on the block, remember to kick those tires. ■

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National Car Rental Chief Executive Vince Wasik

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Shaklee Corp., its army of vitamin-pushers still shrinking, is having to look elsewhere for sales growth.

Fruit-enriched vitamins?

By Ellen Paris

THE BEST THING David Chamberlain has going for him as chief executive of San Francisco-based Shaklee Corp. may be the fact that he doesn't have to contend with Shaklee's elder statesman and cofounder. Dr. Forrest Shaklee Sr., who died in 1985 at age 91, never outgrew his origins as a carnival pitchman. Some of his more outrageous claims for Shaklee's nutritional products kept the company continually at odds with doctors and the Food & Drug Administration. Chamberlain has problems enough on other fronts.

Shaklee's sales peaked at $538.7 million in 1983 and have been falling since. Fiscal 1986 sales (for the year ended Sept. 30) came to $398 million. Operating income in 1986 rose 40%, to $31.5 million, largely because Chamberlain closed two field service centers and cut 42% of Shaklee's salaried workers.

To get sales moving again, in 1986 Chamberlain began making major changes in Shaklee's hoary way of paying distributors of its vitamin and mineral supplements, cosmetics and cleansing products. But Shaklee products are still sold by independent distributors working mostly out of their homes, and—familiar tale—that army of housewives has been shrinking. At last count, the number of domestic sales leaders (those who sell $2,000 a month or more) had fallen to 7,200, compared with 9,300 in 1982.

First, Chamberlain lowered the level of sales needed to receive a bonus from $3,500 to $2,000. Then, he sweetened the pot for the best of them. A top Shaklee sales leader can earn well over $100,000 a year, not just from selling products, but primarily from the "override" a distributor gets from the sales of other distributors he brings into the organization. To keep existing distributors, and to attract new people, Chamberlain raised the override by one-third. But results are slow in coming.

Looking for another way to increase sales, Chamberlain last December paid RJR Nabisco $123 million for Bear Creek Corp. (1986 sales, $150 million), which owns Harry and David, direct-mail fruit marketers, and Jackson & Perkins, which sells flowers by mail. This Christmas Shaklee distributors will offer gift packs of fruit from Bear Creek, with an added attraction—Shaklee vitamins or a few Shaklee Energy Bars tucked among the pears and apples.

Chamberlain, 44, a Harvard M.B.A. who put in time at Quaker Oats and Nabisco, has high hopes for these gift boxes: "It gives our people the chance to go back and see if people are interested in continuing with our vitamins." Chamberlain insists Shaklee's products will never be sold by mail. That could change if the number of distributors keeps sliding.

Abroad, Chamberlain has had mixed fortunes. He shed unprofitable European operations last year (by licensing them to distributors and others), but Shaklee continues to thrive in Japan. Sales there last year hit $114 million, up smartly from $95 million the year before. Last year, to strengthen his position in Japan and take advantage of the hot Tokyo stock market, Shaklee sold 20% of Shaklee Japan K.K. in a public offering, netting $44 million.

Chamberlain has his hands full. This year (Shaklee changed its fiscal year to end Dec. 31) will show sales growth—to an estimated $560 million—but that will chiefly reflect the Bear Creek acquisition. Net may reach $21 million.

In the longer run, turning Shaklee around may depend on how well those fruit-and-vitamin boxes perform. That, in turn, may depend on whether customers who choose the Sunshine Selection, say, like the idea of paying $25.95 for a $6.85 bottle of vitamins and less than a dozen pieces of fruit. ■

Peter Menzel/Wheeler Pictures

Shaklee's David Chamberlain
The pot is sweeter, but the results aren't . . . yet.

Why bother with making money the boring old way of lending prudently to borrowers you know? Bill Walde figured the real profits in mortgage lending lay elsewhere.

The better idea

Peter Bono

By Matthew Schifrin

THIS COULD BE the last year you'll see William Walde, 47, chairman of Dominion Federal Savings & Loan, on *Regardies'* list of the 100 richest and most influential Washingtonians. Customers are suing him, and since midsummer the stock of his $1.8 billion Tysons Corner, Va. thrift has slipped some 30% in value. What's gone wrong? It seems that a history of too-aggressive lending has finally caught up with what was once one of the brashest, fastest-growing thrifts in the East.

Founded by Walde in 1974 in the depths of the oil-shock recession, Dominion had grown in the last 13 years to become one of the leading mortgage banking operations in the nation. Most bankers make their money on the spread between their cost of funds and the income from their loan portfolios. Not Walde. His bank has been a leader in the new-fangled business of profiting from the fees earned from originating, selling and servicing ever-larger volumes of loans to increasingly risky borrowers.

In its home state of Virginia, Dominion attracts deposits often by paying top rates on short-term money through 32 branch outlets statewide. Then the institution turns around and lends it out again many times over, through a growing network of 30 loan and mortgage production offices reaching from New Jersey to Florida.

Dominion doesn't always know much about who its borrowers are, but so what? The idea has been to collect the fees involved in each deal.

Most banks average 3.8% of operating income from loan fees. In Dominion's case the figure is about 12%. A

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Dominion's lending philosophy seems to be to make highly leveraged loans, often backed by its own appraisals, to lure business.

portion of Dominion's fees comes from the upfront "points" charged to borrowers on each loan. The rest comes from servicing existing loans that have already been secured and sold off into the secondary market.

For now at least, fee income has been sufficient to keep Dominion profitable with a 1.2% return on assets, better than average for the Tidewater region. Yet nearly 8% of its loan portfolio consists of "scheduled items" (bad loans), vs. an average 2% for rival Virginia lenders. Thus, a downturn in the economy and a resulting fall in borrowing could crimp fee income and hit the bank hard.

Dominion's immediate problems center around a 1984 lawsuit against it by Robert Guccione, publisher of *Penthouse* magazine. Guccione was introduced to Dominion for a loan to build an Atlantic City casino. After meeting with Walde, Guccione got a commitment for $35 million on the $97 million project.

Later, Guccione testified in court that Walde demanded *Penthouse* dump its other main financial backer in the project, First Atlantic Savings & Loan of Plainfield, N.J., and give the entire deal to Dominion. First Atlantic refused to budge. On top of that, Dominion's participant in the loan had dropped out. So Dominion tried to back out. In response, Guccione sued. Two months ago he won some $130 million in damages in a New York federal court. That judgment, which Dominion will appeal, not only gives the bank a negative net worth of $60 million, but also is reportedly responsible for shelving a planned $40 million Dominion convertible debt offering in September by Drexel Burnham Lambert.

In another recent case, a Washington developer was awarded over $800,000 when Dominion collected fees and backed out on a $13 million loan commitment. Dominion blamed a negative appraisal, performed by its wholly owned subsidiary. The jury found, however, that the same appraisal was used when a thrift with close ties to Dominion bought the land one month later.

Dominion's lending philosophy seems to be to make highly leveraged loans, often based on a Dominion appraisal, to lure in new business. In this way, Dominion last year collected more than $62 million in fees and loan sales. That more than offset the capital drain of failed loans on projects in Virginia, Florida, Texas and Indiana. Dominion's own financial statements describe some of its bad loans as projects with cost overruns, construction deficiencies and faulty appraisals.

Many of Dominion's loans seem extraordinarily generous. In 1983 Dominion headed up a financing package on some 1,600 Washington, D.C. co-ops, sometimes at more than 100% of appraised market value. The cash-back guarantees amounted to a new way of drawing in borrowers and generating fee income: Instead of giving them toasters or color TVs, why not get to the point and give them money?

For many investors in the project, the "no money down" scheme seems to have amounted to nothing less than an invitation to default. So far 47 of its units have been foreclosed. Dominion has been buying back its foreclosed units at 75 cents on the dollar, picking up the remaining 25 cents from Los Angeles-based Ticor Inc., a private insurer it had brought into the deal. Now Dominion is leasing the units back on the rental market.

For Dominion, the weakness in its strategy is obviously that if the economy weakens, loan volume will taper off and fee income will decline. That in turn could cause Dominion's seeming glow of profitability to vanish as the bank finds itself looking more and more to its deteriorating loan portfolio for income. With interest rates once again rising, how far away can that day of reckoning be? ■

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Airline deregulation in Japan means domestic carrier All Nippon Airways can fly international routes. But now it will have to protect its home turf, too.

Hostile skies

By Hiroko Katayama

QUICK, NAME the world's seventh-largest airline in terms of passengers carried. Hint: It's Japanese.

Wrong. It's not $5.5 billion (revenues) Japan Air Lines, which isn't even in the top ten. The answer is $3.4 billion (unconsolidated 1987 revenues) All Nippon Airways Co., Ltd. ANA is Japan's leading domestic carrier. Last year its fleet of 102 blue-and-white planes hauled 25 million passengers and earned $39 million.

Never heard of ANA? You will soon. Under deregulation of Japan's airline industry, last year ANA began scheduled flights to Guam (a favored destination for Japanese tourists), Los Angeles and Washington, D.C. Next year ANA aims to begin service to Hawaii, San Francisco and New York.

Prior to deregulation, Japan Air Lines, still 34.5% owned by the Japanese government, had the glamorous (though only sporadically profitable) job of hauling Japanese businessmen and package tourists around the globe. All Nippon Airways, originally founded in 1952 as a helicopter firm, got the less glamorous—but more profitable—job of flying domestic routes. Today its 72 domestic routes connect 31 Japanese cities with an average of 500 flights a day. With only modest competition from JAL and Toa Domestic Airlines, ANA has a 53% share of the domestic market.

Besides its scheduled airline service, ANA flies charters to such Pacific destinations as Hong Kong, Manila, Bangkok, Beijing, Guam, Hawaii and, most recently, New York. It also owns a string of 23 hotels in Japan and overseas. Last year it opened the stunning 900-room ANA Tokyo Hotel in Tokyo's trendy Roppongi entertainment district. This summer it opened a hotel in Guam. Still to come, hotels in Beijing, Los Angeles, Washington and New York. In 1978 it joined with six Japanese shipping companies to found Nippon Cargo Airlines, an upstart freight forwarder that is giving Los Angeles-based Flying Tiger Line (FORBES, *May 4*) fits over the Pacific.

Pamela Ferguson

ANA President Akio Kondo
Protected no longer.

The task of piloting ANA overseas falls to Akio Kondo. Kondo, 56, took over as president in May after the death at age 66 of Taizo Nakamura, president for four years. Kondo, a law graduate who has been with ANA since 1954, worked in sales and moved up in the ranks in the mid-Seventies during the Lockheed bribery scandal. It was Lockheed's bribe of some $1.6 million to then Prime Minister Kakuei Tanaka as part of its effort to sell passenger jets to ANA that led to Tanaka's downfall.

The speed of deregulation, a response to U.S. pressure, surprised Kondo. "I knew that Pacific routes would be liberalized eventually," he tells FORBES, "but I didn't expect that ANA would begin flying the Pacific so soon." Kondo, nevertheless, is moving aggressively. He has budgeted $3.5 billion to buy at least 25 Boeing 767s, 11 Boeing 747s and 20 Airbus A-320s by 1993. Kondo also plans to spend heavily on advertising to increase ANA's low-to-nonexistent profile abroad. "I will not miss a chance to sell the ANA name," he insists.

ANA will face headwinds overseas. While the transpacific passenger market is growing 6% to 7% a year, the skies are already crowded with more-seasoned competitors. Japan Air Lines has an estimated 18% of Pacific Basin airline passenger seats. Northwest and United are formidable foes, not to mention Singapore Airlines, Korean Air, Thai Airways International, Taiwan's China Airlines and others. Despite all this ANA is trading at 539 times earnings on the Tokyo Stock Exchange.

In the U.S., airline deregulation has meant lower fares. Not so, thus far, in Japan. A round-trip Tokyo-Los Angeles full-fare economy-class ticket on either JAL or ANA costs the equivalent of $2,122, vs. $1,482 on Northwest or United for a ticket purchased in the U.S. This disparity has given rise to a thriving black market in Japan for airline tickets written in Hong Kong or other Asian points, reducing the ticket price by hundreds of dollars. Some Japanese companies are even urging businessmen traveling to New York, say, to buy a one-way ticket from Japan and another, cheaper, ticket in New York for the return trip. Lower prices are sure to come eventually, thus squeezing ANA's margins.

Deregulation, as Kondo will learn, cuts both ways. While ANA will now compete with JAL on some international routes, JAL can compete more against ANA in the domestic market. With its strong government connections, JAL is in a position to crack, if not take away, several of ANA's most lucrative trunk routes. Here, Kondo may be at a disadvantage. He is the first ANA president in 17 years who isn't a former Ministry of Transportation bureaucrat. In Japan, government connections are invaluable in regulated industries.

With costly battles for market share looming both at home and abroad, Kondo is about to learn what deregulation is all about. ■

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STERMINDING TOMORROW'S TECHNOLOGIES

MARTIN MARIETTA

6801 ROCKLEDGE DRIVE, BETHESDA, MARYLAND 20817

Edited by Laura Saunders

Multinational corporations are getting caught in a trap set for tax-haven abusers.

Innocent victims

"This is just unbelievable," splutters Roger Siboni, an international tax partner at Peat Marwick Main. "By trying to cure the disease, Congress is killing the patient."

The patient in question is international trade. The disease is tax havens. What upsets Siboni is a provision of the 1986 tax act concerning "passive foreign investment companies." These are portfolios owned by American investors and stashed abroad in low-tax countries. The intent of the provision was to curb this tax dodge of the wealthy. But the tax act's definition is so wide that it catches some innocent victims. "This will affect nearly all companies with extensive foreign operations," says Thomas Maletta, vice president for taxes at Household International.

The broad rules on passive foreign investment seem to have slipped into the code as a result of inadvertent—or perhaps intentional—drafting by congressional staffers. "They were put in at the last hour," says Peter Nugent, senior tax counsel at Merck. "I don't imagine there were too many elected people in Congress who understood what was going on." Adds Thomas Meredith, general tax counsel of Amdahl Corp.: "This certainly puts U.S. multinationals at a disadvantage vis-à-vis some foreign competitors."

The problem begins with a fundamental principle of U.S. tax law: Profits earned by a foreign corporation generally aren't taxed until they are paid back to the U.S. owner in the form of a dividend. Multinationals have long argued that they need this deferral of tax on foreign profits to compete internationally. But the deferral makes it tempting to park profits in tax havens like Panama or Liechtenstein.

Congress made an early attack on tax haven abuses in a 1937 law aimed at incorporated pocketbooks used to accumulate passive income abroad. It went after multinationals using tax havens in a 1962 law. That one ended deferral for U.S. taxpayers who control foreign companies used to divert profits from U.S. operations, via such maneuvers as excessive insurance premiums.

But both the 1937 and 1962 acts had a big loophole. They apply only if the foreign entity is at least half-owned by U.S. taxpayers. Thus, a group of wealthy Americans could incorporate a mutual fund in, say, the Netherlands Antilles, invest in U.S. stocks and postpone tax on the profits, as long as less than 50% of the fund was owned by U.S. shareholders. U.S. money managers with good connections in Europe had a field day.

Hence the crackdown in the 1986 tax act. The new rules impose a penalty in the form of nondeductible interest that equals or exceeds the advantage investors reap from the deferral. This penalty applies if either 50% of a fund's assets or 75% of its income is "passive," i.e., not earned from actively engaging in trade or business.

Trouble is, at the last minute the rules were extended to cover virtually all foreign subsidiaries of U.S. companies. And failing the assets test would be particularly easy for high-tech companies. "Often there are very few assets in the foreign sub," says Peat Marwick's Siboni. "The government provides the factory, and the technology is licensed from the U.S. parent. The assets test is a very, very difficult one to meet, and you have to do it every year."

But even the profits test could be a stumbling block, notes Amdahl's Meredith. "A foreign sub that provides sales and service and has a bad year or two might conceivably fail the profits test," he says.

Chas B Slackman

S C O R P I O

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The cost of failing the test can be steep. U.S. parent companies either have to pay the penalty when profits are repatriated or pay taxes currently on foreign earnings. An extremely complicated retroactive provision may force firms to pay penalties on pre-1986 income accumulated abroad. Moreover, once a subsidiary is branded a passive holding company, the classification is irrevocable, and the benefits of U.S. tax deferral on foreign earnings are lost forever.

By a strange twist, it is even possible for a sub to fail the test in a high-tax foreign country and lose the benefit of its American foreign tax credit—and thus pay double tax on foreign profits.

Fortunately, Congress may undo this mischief, either by exempting operating subsidiaries or by changing the assets test. Treasury officials have said they may support changes in the law. The original revenue estimate of $17 million (for fiscal 1988) should convince Congress that the law's application to operating subs was unintended: The taxes owed by a company like Amdahl alone would probably be far greater than that.—**L.S.**

Pension deductions

Not all the surprises coming out of the 1986 tax act were bad. The IRS has recently given its blessing to a gimmick for getting more deduction mileage out of pension plans.

It has to do with the decline in corporate rates, from 40% this year to 34% next. The objective, notes Barry Bidjarano, Ernst & Whinney senior tax manager, is to accelerate some of next year's pension deductions into this year, when they are worth more.

The scheme works only with defined benefit plans, the kind that promise a certain monthly benefit to the retiree. Usually such plans have a minimum and a maximum level of contributions allowed, and most firms contribute the minimum or close to it. But they have until the extended due date of their tax return to make and deduct contributions. For firms on a calendar fiscal year, that final deadline for 1987 returns is Sept. 15, 1988. The trick is simply to continue these monthly pension contributions at the minimum rate but deduct the 21 payments from January 1987 through September 1988 against 1987 returns.

The total deducted in 1987 can't exceed the maximum, however, so companies already contributing the maximum will get no benefit.—**L.S.**

The power to license implies the power to revoke. But exercising that power over a doctor can get you sued.

Quackus tyrannus

By Richard Greene

WHO IS TO BLAME for the medical malpractice mess—suit-happy lawyers or incompetent doctors? A recent study by Health Resources Inc., a Chicago-based consulting firm, suggests the real villains may be too-timid state licensing boards. The study shows, for example, that 2% of physicians practicing in the Chicago area between 1973 and 1986 were the subject of 36% of all malpractice suits filed. Other studies in Florida and Pennsylvania have turned up similar statistics. In short, a handful of physicians are generating a shockingly disproportionate share of malpractice lawsuits.

Granted, a few good doctors get repeatedly sued because of their high-risk specialties, such as neurosurgery. But, as the studies show, a cadre of incompetent physicians gives the whole profession a bad name. Dr. Arnold S. Relman, editor of the *New England Journal of Medicine,* reckons it likely that at least 20,000 physicians, 5% of the total, "for one reason or another probably ought not to be practicing medicine." They are, says Relman, either alcoholics, drug addicts, senile, criminals or simply incompetent physicians.

These are the hard-core bunglers behind the medical malpractice crisis, yet many state licensing boards rarely act to put them out of business. In 1985, the most recent year for which statistics are available, only 2,108 of the 550,000 physicians in the U.S.—less than four-tenths of 1%—were the subject of serious disciplinary actions by state authorities. Only 406—less than one-tenth of 1%—actually had their licenses to practice revoked. Although these numbers are up from 1984, they are still clearly tiny.

Why this inertia? The boards are afraid—what else?—of getting sued by the very quacks they want to put out of business. "At one time, when I was on the North Carolina Board, I had accumulated $4 million in lawsuits," says Dr. Bryant Galusha, executive vice president of the Federation of State Medical Boards of the U.S., "most of which were frivolous."

Take the case of the Michigan physician who in 1980 sued the individual members of the Michigan Board of Medicine for failing to renew his license on the grounds that he was an alcoholic and an unfit physician. To prevail in court, several board members had to spend in excess of $10,000 in legal fees, none of which was reimbursed by the state.

"Boards are intimidated by this kind of suit," says Dr. Donald Kuiper, past chairman of the Michigan board and one of the members sued. "People are going to be very careful about bringing disciplinary action against any physicians when their personal assets are subject to lawsuit."

Fortunately, a new federal law, set to begin taking effect next month, promises relief. Under provisions in the Health Care Quality Improvement Act, if a doctor brings a suit against a licensing board in federal or state court, and it can be shown that the board operated in good faith, then the complaining doctor can be forced to pay the board's legal expenses. "This bill doesn't negate the liability threat entirely," says Galusha, "but it will help a great deal."

The legislation extends similar protection to peer review bodies like state and local medical societies, which traditionally have been timid about blowing the whistle on incompetent members. Of some 1,700 complaints about doctors filed in New York State in 1986, for example, only 5 came from medical societies. "Doctors won't turn in other doctors," says Dr. Harvey Wachsman, a New York physician turned plaintiff's attorney.

Even with the new law, physicians may still feel a misplaced loyalty to the incompetents among them—but blaming their failure to act on a fear of litigation will no longer work. ■

Jean-François Allaux

THE TRUCKING INDUSTRY

COMPETITION PUSHING INNOVATION AND PRODUCTIVITY

by Bob Gatty

The sleek new Volvo-White rolls away from the terminal in Atlanta and with independent trucker Dave Atkinson at the wheel, heads west towards Chicago. In the trailer behind, a load of bottles awaits a soft drink company's production line eight hours away.

Atkinson, who leases himself and his tractor to a small carrier in Cincinnati, flicks on his stereo and grins. "Now, it's eight hours of pure pleasure," he says.

Atkinson and the company for which he drives are important factors in the intense competition that today is propelling the trucking industry, forcing new and innovative ways of improving service and efficiency. To get loads, they are willing to run cheaper—and faster. It's one of the results of deregulation—and one of the problems.

But the nation's independent truckers and start-up-companies are only part of the reason for the intense competitive pressures confronting the nation's trucking industry. Shippers are demanding more, much more. They too, must keep costs down, and transportation and distribution are critical factors in their profit equation. They know that in many respects it is a buyer's market.

"Some of our customers say they have not been able to raise prices in six years," says William B. Potter, President and CEO of the Preston Trucking Co., headquartered in Preston, Md.

"It's crucial for us to keep our costs down and our performance up." Preston is a growing company with 90 terminals serving 27 states. It recently was honored by the U.S. Senate for gains in productivity.

Carriers are responding in many ways.

At Preston, productivity is achieved by creating a positive environment for some 5,000 employees, known there as associates. The result, says Potter, is millions of dollars in savings, enabling the company to compete and to grow.

At Leaseway Transportation, the approach is to offer customers total distribution services, ranging from warehousing, to product sorting and pricing, assembly and transportation. The company's vehicle-leasing business was sold this year to Hertz-Penske.

Yellow Freight and Carolina Freight Carriers concentrate on providing customers with computerized support to help speed pricing, service and to track shipments.

"Our customers like to be on the leading edge from a technological standpoint," say Carolina's President and CEO, Kenneth E. Mayhew.

The Manufacturer Response

This same competitive environment requires manufacturers to provide the most efficient equipment possible so that carriers and private fleet operators can meet their bottom line objectives.

"The emphasis," says Ed Klar, Marketing and Service Manager of Peterbilt, "is on reducing costs in terms of truck production without jeopardizing quality and the ability to meet customer specifications. There is no reason to stay in a

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TRUCKING

a static environment. Every area of the truck is undergoing tremendous scrutiny."

As a result, today's new heavy-duty trucks are as aerodynamic as possible to conserve fuel. Driver compartments for long-distance drivers are becoming comfortable, even plush. "If you provide the driver with a better working environment, he does better," says Volvo-White's Director of Marketing, Terry Young.

Volvo-White and Peterbilt are among truck builders that have developed a larger sleeper-box area that enables a driver to rest comfortably. Other driver comfort modifications include improved seats, seatbelts, and air conditioning and heating systems for a better ride.

"Our boss tells our design people that their objective should be to produce a vehicle that would allow the driver to feel as rested after eight hours of operation as he would driving a car," says Young.

Klar points to other improvements—new tires that may eventually lead to single tires on Class 8 trucks and high-tech components that can increase performance and economy. In fact, Detroit Diesel Allison has rolled out a new electronically controlled engine that it says will result in 15 percent better fuel economy than the competition—with 28 percent fewer failures and a 25-percent increase in its life span.

For carriers, the pressure on prices has grown so intense that it prompted American Trucking Association (ATA) President Thomas J. Donohue to complain about shippers taking unfair advantage.

"The shippers have driven the price down so far that I believe, in some instances, there is a question of responsibility," he says. Shippers, especially those that use owner-operators and small companies "cannot hire trucks not in good repair and drivers not in good repair," Donohue warns. "They cannot pay prices that they know are way under what it takes to do the job, then wash their hands . . . and say they've got nothing to do with safety—that it's not their problem. It **is** their problem. You can't drive the getaway car and say you've had nothing to do with the crime."

Meanwhile, Donohue says carriers are much more customer service oriented than ever before. "Non-price competitive services along with very significant reduction in rates are giving the shipper

Volvo-White aero conventional model.

the best deal he's ever had," Donohue contends.

These include, Donohue says, just-in-time delivery, rerouting to accommodate differing manufacturing practices, on-board and in-shop computers that can trace shipments, much better claims and billing processes, and safe delivery with fewer losses than ever.

At Cleveland-based Leaseway, the objective is to "look at each element in the physical distribution chain to see where we can achieve greater productivity and increased efficiency," says Charles Lounsbury, Senior Vice President for Business Development and Logistics.

Lounsbury says his company is able to analyze a firm's total distribution needs and then determine how best to meet them. "We'll put together a whole distribution package, typically at a tremendous cost savings to the customer," he explains.

For example, for some major department stores Lounsbury says Leaseway handles the merchandise, checking, price marking, sorting and delivery.

But efficiency is crucial to Leaseway as with every other company in the truck transportation business. Vehicles must be carefully matched to the customer's requirements, he says. On-board computers are being increasingly used to check engine performance and to help save fuel.

"You have to know when it's time to get rid of equipment," Lounsbury maintains, "not only for mechanical reasons but also because of changes in the marketplace."

Equipment is only part of the equation, contends Preston's Will Potter, whose company has been named by authors Robert Levering, Milton Moskowitz and Michael Katz as one of the 10 best places to work in the nation.

Just as important, Potter says, are the people.

"It is the obligation of managers and supervisors," Potter says, "to create an atmosphere where our employees constantly gain more knowledge and are able to participate in setting challenging goals to achieve outstanding results. It is also clear to us that our survival and success depend on how well we consistently serve our customers."

Potter has established a program for Preston associates to offer suggestions on how a job can be performed more efficiently. In 1986, the company's 5,000 associates submitted 5,380 suggestions, of which 85 percent were accepted for a savings of $1.5 million. In 1987, Potter says, suggestions are 40 percent over last year.

That doesn't even count the barrel crusher built from scrap materials by engine rebuilder, Howard Bradshaw. The machine crushes oil drums, so they can

Photo: Mary Ann Gatty

Preston President William B. Potter believes that his people hold the key to increased productivity.

be disposed of more cheaply and with fewer man-hours. Bradshaw didn't go through the official suggestion program.

Why did you bother? he was asked.

"Because if Preston does well, so do I," came the reply.

Safety and Other Issues

Preston is among the corporate leaders in the industry's effort to improve truck safety, a drive that is being engineered by the ATA and the Motor Vehicle Manufacturers Association (MVMA).

Donohue applauds Congress for approving legislation, at ATA's behest, prohibiting heavy-duty truckers from carrying more than one driver's license, a move aimed at getting repeat offenders off the road. As a result of the law, there will be more roadside inspections as a means of enforcement.

However, Donohue is critical of Congress enacting legislation allowing state to remove the 55 m.p.h. speed limit on rural highways. That, he says, will cost the industry money in poorer fuel economy and it may cost lives.

ATA is supporting legislation that would establish driver drug testing requirements, Donohue says. "We need to find those people who are using illegal substances and get them off the road."

Meanwhile, the Reagan Administration's plan to further deregulate the industry is still pending in Congress. Included in the key provisions of The Trucking Productivity Improvement Act of 1987 is an elimination of the ability of any state to regulate intrastate rates, routes or services on goods hauled across state lines.

Of significant concern to the industry are proposals to increase the federal excise tax on motor vehicle fuel. Such a

How Leaseway helped a major manufacturer remain competitive in a global market.

Leaseway Case Study #27: Caterpillar.

With increasing competition throughout the world, many American manufacturers are taking a new look at their old way of handling physical distribution.

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The conclusion.

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TRUCKING

move, says Donohue, would hurt the industry, shippers and consumers.

While these issues are debated, the ATA president says the trucking industry is on the move, driven by competition and customer demands.

"Those companies that are going to prosper will be those who see themselves in the transportation business, who figure out how to manage assets, people, dollars and equipment in a very professional way," Donohue says.

Photo Courtesy Peterbilt

Peterbilt's new light-weight vehicle, model 375.

Moreover, the use of new technology will be crucial to make trucks last longer, to provide better customer service and to make the driver as productive as possible, he says, and effective marketing will be essential.

Changes are taking place, Donohue stresses, with managers becoming far more sophisticated in finance, systems, technology and marketing.

"There will be a great deal of competition among the suppliers to provide a product to these educated buyers who are now far more aware of customer needs and of the necessity of their own company to be efficient," Donohue predicts.

"I see this all as very, very positive for all concerned—the driver, the trucking company and the shipper—for our worldwide competitive position. The trucking industry is an essential link in the process; it's going to be more competitive and more efficient."

Bob Gatty is a Washington, D.C.-based freelancer. Design: Hoashi Studio Inc.

A LOOK AT LEASING

East Greenwich-Brown's Dairy, like many businesses, depends on its truck transportation system. It's a growing company, and without a totally reliable truck fleet, there will be no growth.

At the Cranston, R.I.-based company, truck leasing helps meet those distribution needs. Says Clifford W. Johnson Jr., the company's president, "Our truck fleet is crucial to our success. It's critical to have as little down time as possible."

The firm first began leasing on a small scale from Ryder Truck Rental to obtain reliable mechanical service at an outlying substation. Now, it leases most of its fleet from Lily Truck Leasing Corp., a regional firm that serves New England, New York and New Jersey.

Today, there are many more advantages to their leasing arrangement and with the advent of the 1986 tax reform law, for many firms there are strong tax advantages as well.

When East Greenwich first considered leasing, the cost of owning "was very close," Johnson explains. "But we chose to go with leasing to get rid of the day-to-day headaches."

Companies like East Greenwich-Brown's Dairy that obtain full-service leases get more than trucks and service; they get help in cost accounting, equipment and component specifications, insurance coverage, driver-safety programs, licensing and permitting.

Many leasing companies provide a 24-hour "hot line" in case a problem develops on the road. If service is required, it is immediately dispatched.

Computerized systems provide regular reports on equipment history and performance, allowing a fleet operator to check on the efficiency of both the truck and the driver. While truck leasing clearly is not for every company, some 15 percent to 20 percent of the commercial truck fleet population is estimated to be leased or rented—about 1 million to 1.2 million vehicles.

Gordon Bingham, Ryder Systems Inc.'s senior vice president for strategic planning, Vehicles Leasing and Services Division, estimates that between 25-percent and 30-percent of all new medium and heavy-duty trucks are sold under a leasing contract.

David Burr, President and CEO, of Rollins Leasing Corp., Wilmington, Del., says many of his company's customers have expressed interest in long-term, full-service leasing since the new tax law was passed. Those are customers who own vehicles and with whom Rollins has contract maintenance agreements.

Leasing companies have adapted to the tax law changes, specifically, the loss of the investment tax credit and the addition of the corporate alternative minimum tax. Lily is one such firm. Lily President, John A. Simourian explains:

"The new rules place a 20-percent tax on half the difference between book income (income reported to owners) and taxable income (income reported to the IRS). This alternative minimum tax (AMT) amount must be paid if it totals more than the new 34-percent corporate tax.

"This tax bite is startling when you purchase trucks and tractors using straight-line depreciation for book income purposes and accelerated depreciation for tax purposes."

Photo. Mary Ann Gatty

The difference between the new double-declining method of tax depreciation and the AMT 150-percent declining-balance method creates excess tax depreciation and is subject to the minimum tax, Simourian adds. "Leasing reduces the tax by closing the gap between book income and tax income," he says. "In both instances, leasing helps the customer avoid the additional tax burden."

Ryder System's Vice President for Corporate Taxes, Harvey Smallheiser, points out that a lease-versus-own decision is based on three major elements: maintenance, financing and taxes. The new tax law, he says, "significantly reduces the tax benefits of ownership."

The AMT insures that every company will pay a federal income tax. Under the AMT rules, deductions like accelerated depreciation are considered tax preference items which are added to a company's regular tax to arrive at alternative minimum taxable income. The company must pay whichever is higher—the regular tax or the AMT.

Ryder's Bingham notes that as competition increases and as customer needs become more sophisticated, leasing contracts are changing.

"The days when a leasing company could say, 'Here are my standard leases and here are my rates,' are pretty much over," Bingham contends. "Successful leasing companies are transportation operations and then customizing a lease solution that best meets those needs."

As Johnson points out, "We're in the dairy business, not the transportation or maintenance business. We leave that to the experts."

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Investors in Thoroughbred horseflesh—and their bankers—were taken to the cleaners. But now the odds are better.

Post time?

Horse at auction at Saratoga in August
The news was only superficially good.

Bob Mahoney/Picture Group

By Kerry Hannon

THE HORSE-TRADING NEWS from Saratoga Springs, N.Y., in August was only superficially good. True, one yearling colt (by Mr. Prospector out of Waya, a French stakes winner) was sold for over $2 million. True, too, the average $241,603 sale price at the end of the annual Thoroughbred auction there was up 29% from last year. But that was it. Nearly 20% of the 250 horses put up for auction remained unsold because they could not fetch their reserve, the minimum price owners and bankers would accept for their beauties.

Saratoga's was the only one of the four major Thoroughbred sales this summer where even average prices were up. Prices at the other three—Keeneland, Fasig-Tipton, and Ocala—were 10% or 15% down on 1986, which in turn was down nearly 25% from 1985.

Selling prices on Thoroughbreds are now well below costs. For example, to breed a mare to Slew of Gold, who won $3.5 million in his racing days, would have cost as much as $300,000 in 1985. The average price paid at Saratoga this year for a yearling by that stallion was $181,667.

What has happened to the horse market is a classic case of oversupply and falling demand. The only sensible reason for owning a Thoroughbred is to race it for prize money. But through the 1970s and early 1980s yearling prices rose so sharply that mere expectation of further rises, not prize money alone, became a powerful incentive to breed. In 1985 the average price paid for the cream, the top 2%, of 50,000 yearlings registered with the Jockey Club was in excess of $500,000, up from $150,000 in 1980. That 50,000 was double the number of yearlings registered in 1973.

Meantime, race purses lagged. Total purses paid in 1979 were $508 million. Last year they were $659 million. That's up, but up nowhere near as much as the price of the animals. Says Ernest Oare, president of the Virginia-based EMO Group that currently manages $20 million in horse assets: "The cycle got skewed because everything was going up except the racing itself, the bottom line of the whole business."

Bankers, too, had jumped on the bandwagon, willing to lend up to 80% of the animals' appraised value, with loan minimums starting at $1 million. In 1984, the peak of their enthusiasm, banks had more than $1 billion in such loans outstanding. But as rapidly as the market rose, it has now

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Racing at Saratoga

The only sensible reason to own a Thoroughbred is to race it.

collapsed, falling close to 40% in the last two years.

Demand has been hit three ways. First, overbreeding has hit quality. "People were breeding anything to anything," says EMO operating officer Glenn Petty. "A plethora of unproven sires went to stud," he says. Second, top bidders overseas, like Britain's Robert Sangster, who paid $13 million for a colt in 1985, and the Maktoum royal family of Dubai are now buying fewer U.S. Thoroughbreds. Third, American investors are now shying away because of tax reform; limited-partnership tax shelters on horse deals that used to offer 2-to-1

New ways to bet

With limited partnerships all but ruled out as tax shelters by tax reform, horsemen are eager to find new ways to attract investors. Warrenton, Va.-based EMO Group *(see story)* was first out of the gate, with what it calls a Stallion Mutual Fund. It works like this: An investor pays in a total of $40,000 over five years to buy 10 to 12 stallion shares, or annual breeding seasons, ranging from an unproven recently retired beast to a champion like Secretariat. Thus, unlike the brood mare limited partnerships so popular in the early 1980s, income is generated in the first year. (Stallions do their job at once. Brood mares need 11 months to produce results.) EMO's fund paid investors a 17.5% return, or $7,000, this year, passive income that can be used to offset passive losses.

But perhaps EMO's most interesting vehicle is an active partnership. Ten investors pay at least $100,000 each over five years to buy eight horses ranging from racehorses to brood mares, plus stallion shares. Thus, the group spreads its risk across the racing industry and, EMO hopes, the deal qualifies as an active, not a passive, investment. "This way," Ernest Oare, president of EMO, maintains, "everyone shares in the decision making." —K.H.

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writeoffs with passive losses have been scratched.

The result: Banks across the country have halved their horse loan portfolios and sent some horsemen into bankruptcy. The downturn is hitting not only bluegrass-country banks but big-city banks as well—California-based Wells Fargo and Crocker Bank and New York-based Manufacturers Hanover and Citibank among them.

In Florida's horse country, SunTrust's Ocala office had nearly $25 million in outstanding horse loans and lost $666,000 last year. Barnett Banks' Ocala office has cut its horse loans from $22 million in 1983 to $7 million. New Jersey's MidLantic Corp held a $100 million horse portfolio a year ago but now does no new horse business. And New York-based European American Bank, one of the first banks outside horse country to get involved, and which had around a $70 million portfolio, got out in 1985.

In June, Louisville, Ky.-based Citizen's Fidelity Bank & Trust Co., a subsidiary of PNC Financial, repossessed 11 Thoroughbreds, including 1987 Kentucky Derby contender War, from horseman Tom Gentry (Gentry owns a total of 80 Thoroughbreds), to settle his $14.4 million loan. So far sales of 7 yearlings have brought in only $2 million. Each horse costs $20 a day to feed and shelter. Jim Fahy, Citizen's senior vice president, says gamely: "This has been a learning experience for us."

What's ahead? Already stud fees have dropped, typically by 33%. Purses, the enduring reason for breeding Thoroughbreds, are going up. This year there will be 13 races with $1 million purses, up from one in 1983. Horsemen are coming out with new ways to package deals for investors that the IRS will approve *(see box, p. 78)*. Some clockers FORBES has spoken to say the market is close to, but still not at, the bottom. ■

Ernest Oare, president of EMO Group

"The cycle got skewed because everything was going up but racing."

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THE WORLD'S BILLIONAIRES

By Harold Seneker

Who are the richest people in the world? We at FORBES already knew a thing or two about the richest people in America, but great wealth on the rest of the planet has remained a matter of local knowledge—or of local conjecture. Yet those distant countries are not very distant anymore: While it is 3 hours and 45 minutes to Europe by Concorde, it is maybe 45 seconds to anywhere by telephone or telex. Markets today are international, whether they are markets for goods or for financial

Where they are

Witness here the rise of the Pacific rim. Japan has more billionaires (at least 24) than any other country but the U.S.; Hong Kong, with 6, the most per capita anywhere. Nine others are scattered from Korea to Australia. Only the U.S. can counterbalance Asia today, with more than 40. Tomorrow?

instruments. German brands familiar in the U.S., Japanese brands familiar in France, U.S. brands familiar almost everywhere.

National boundaries still satisfy politicians, but they no longer restrain business people. Rupert Murdoch comes to live among us from Australia, and our three TV networks tremble. Reinhard Mohn of Germany buys one of our biggest book publishers *(see p. 124)*. A Chinese multibillionaire in Indonesia buys and sells a well-known San Francisco bank to serve his own purposes half a world away *(see p. 113)*. Billionaire cocaine lords in Colombia teach us fear on our streets *(see p. 153)*. Shigeru Kobayashi in Tokyo might already own the building where you have your office—if not today, possibly tomorrow *(see p. 99)*. But never mind: American 7-Elevens and Denny's restaurants helped make his countryman Masatoshi Ito a multibillionaire.

We decided that it is time to look at Earth's non-U.S. billionaires. We do so in this issue—the more than 40 billionaires who are U.S. citizens will be covered in our Oct. 26 issue of The Forbes Four Hundred.

We have identified 69 non-U.S. individuals with a net worth of $1 billion or more, and 27 families in that fiscal category—altogether, 96 private entities. Add, say, 45 U.S. billionaires, and you have an exclusive group with a membership of about 140 out of a world population of about 5 billion.

Did we get them all? Probably not. There are undoubtedly plenty more where these came from, but what we found is enough for now: Taking them all together amounts to an arresting, first-time-ever business portrait of the rest of the world.

After the U.S., Japan leads with 24 billionaire individuals or families. In Japan and the Pacific most of the big fortunes are still in first-generation hands—run and owned by the people who founded them. Not so in Europe: The 36 identified European billionaires mostly inherited large businesses and either maintained them or made them bigger.

Royalty and dictators? King Fahd of Saudi Arabia could be called the richest of all, since the Saudi royal family names itself as the owner of that country's oil reserves, and the Sultan of Brunei might be second richest, but their power is political first and economic only secondarily. So we left them out *(see p. 164)*. We also left out political tyrants like Fidel Castro and Kim Il Sung, because their luxury and power depend on the gun and the knife, not on economic prowess. We left out Ferdinand Marcos and an ex-president of Mexico, because we can't trace their wealth—which, at any rate, is stolen, not won.

We even set aside people with a mere $999,999,999.99 or less to their name—denominated in U.S. dollars at current exchange rates. That left out a number of wealthy Indians, who, though immensely rich, denominate their assets in rupees, which have a low exchange rate against the dollar.

A billion dollars seemed a good place to draw a line between wealth and great wealth. How someone managed to make or hold a billion dollars is likely to tell you something about how the world works. ■

COMING: The Forbes Four Hundred—the 400 richest people in the U.S. Dated Oct. 26, our sixth annual compilation of U.S. wealth will list the four dozen or so individual Americans who qualify as billionaires.

Illustrations by Greg Couch

Japan

YOSHIAKI TSUTSUMI

*The World's Richest Man**

Everything that contributes to putting a man among the world's billionaires came together in the richest one of all: He is Japanese at a time when Japan is becoming the wealthiest nation. He owns a lot of scarce land. He inherited money, thus having a head start, but overcame the usual disadvantages of wealth by proving as tough and shrewd as any self-made man.

And he was lucky.

His Seibu Railway group is Japan's biggest and richest landlord. It was founded by his father, Yasujiro Tsutsumi, the son of a poor farmer.

The father was left an orphan early and was raised by his paternal grandparents. When they died he turned away from farming, selling the farm to finance an education. At college, he wasn't your typical studious Japanese. He speculated in stocks and operated small businesses. Most of his ventures failed, but then he discovered real estate development in 1918, when he was 30. By 1922 he was a success, with the money to start the bus and railway transport business that is now Japan's well-known Seibu Railway. After World War II, many Japanese aristocrats had to sell their ancestral properties in order to survive and Yasujiro went deep into debt to buy from them. Properties thus acquired became the nucleus of Japan's giant Prince Hotels chain. Yasujiro did not become liquid until the last decade of his life, and even then he aggressively piled up property. Aside from making money, women were his only hobby. He married three women

Yoshiaki Tsutsumi

Zaikai

*But see page 164

and kept many mistresses. Yasujiro died in 1964.

Yoshiaki Tsutsumi—his heir and the world's richest man—was the son of a mistress. A brilliant but rebellious legitimate half-brother grew up a communist activist dedicated to Japan's radical student politics, and later became a novelist who seemed to mine the family's private life for material. Yoshiaki proved a loyal and dedicated son. Guess who inherited the bulk of the fortune.

Yoshiaki got most of the property, leaving half-brother Seiji with the Seibu department store chain and some real estate.

His father demanded that Yoshiaki sit at the side of an experienced manager, Shojiro Kojima, which he did for about a decade after the old man's death. He has struck out on his own, and between 1972 and 1979 he opened eight new Prince Hotels with great success (the newest, the Yokohama Prince, with 885 rooms, is scheduled for 1989). He is also developing several big resorts.

Now 53, he hasn't mellowed, despite his wealth and success. "I need mediocre employees," he is quoted as saying, "only my managers need to be intelligent." And he is demanding: "If you want to be a manager, forget about days off." He is regarded with such awe that a mere rumor that a new Seibu project is in the works makes land prices rise nearby.

Today the Seibu empire, parts of it publicly held, consists of railways, over 30 hotels, some 25 golf courses, ski resorts, etc.—land totaling 149 million square meters and worth well over Y10 trillion—some $70 billion. Controlling this, Tsutsumi has in his own name 40% of holding company Kokudo Keikaku's stock, worth maybe $20 billion—leaving aside the 60% held in the names of two Seibu executives. No other billionaire is as wealthy as he.—**Hiroko Asami**

TAIKICHIRO MORI

World's Richest Economist

Taikichiro Mori was a scholar by inclination, rising through the academic ranks to the prestigious post of professor of economics at Yokohama City University. His father, a rice farmer turned real estate investor, frequently sought his advice on economic trends. So when his father died, Mori, now 50, was not unprepared to take over the family holdings. As his

Robert Wallis/B Pictures

Taikichiro Mori

father had sought his advice, he, in the Japanese fashion, now sought the advice of older, wiser heads. Then he made his decision: He would consruct office buildings in the Minato ward, near the government's offices, but then sparsely supplied with commercial space.

He quit the university in 1959 and founded Mori Building. As his tenants expanded in the heady atmosphere of Japan in the 1960s and 1970s, he built more elaborate space for them. Says he: "To prevent the tenants' moving to someone else's new office building, we built new ones ourselves, incessantly." Their lesser affiliated companies took the older space.

Now Mori Building owns 65 buildings with 711,000 square meters of floor space, mainly in the Minato ward and virtually all occupied. Mori predicts that Tokyo's shortage of office space will not be solved until at least the early 1990s.

Now 83, Mori still lives the part of the quiet academic: While others wear Western-style business suits and ties, he does business dressed in a traditionally simple black kimono, governing a family real estate empire worth, at today's valuations, $15 billion, net.—**Hiroko Asami**

KIYOSHI SAGAWA

Richest Truck Driver

This is not a rags-to-riches tale: His father was owner of the biggest properties in his village in Niigata prefecture and the headmaster of the local elementary school. Yet Kiyoshi ran away from home at about 17 after quarreling with his stepmother. He moved in with a cousin who ran a door-to-door delivery business. In 1955, after a fling in the construction business, he inaugurated a courier service himself. Well, sort of: At first his equipment consisted of two bicycles, and he did much of the hefting himself.

As he added employees and bought trucks, he went to 24-hour deliveries to beat competition, and introduced a powerful incentive system: high salaries, but based on the productivity of each man. Each courier was individually responsible for obtaining orders and collecting money, as well as delivering cargoes. It worked. Sales for the 1986 business year of the Sagawa Kyubin Group were Y350 billion, about $2.4 billion. Now Sagawa is 65, and his equity is estimated at Y195 billion ($1.4 billion) at minimum.

His motto is, "Earn enough money so you can afford to waste some"—meaning: If you've got it, flaunt it. His Japanese-style home in Kyoto is enormous by Japanese standards: 14 rooms covering almost a half-acre, and it is reported that inside the garden an artificial waterfall and stream can be observed. —**Hiroko Asami**

KONOSUKE MATSUSHITA

God Of Business Management

Having heard that Osaka city ran an electric railway, I had a vague hunch that the age of electricity would soon come to Japan." That vague hunch in a former farm lad's head led to the founding of what is now one of the world's great enterprises, $30 billion (revenues) Matsushita Electric.

Matsushita's first job, as a child, was in a bicycle shop, but, later, in pursuit of his hunch and his ambitions, he got a job in an electric bulb factory in Osaka, and at 24 had enough experience to go into business for himself in a primitive way. He started an electric plug factory. Matsushita's wife of two years and her younger brother, Toshio Iue (who was later to found Sanyo Electric), were

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Konosuke Matsushita

his partners.

By keeping costs down and keeping up with progress in design, the little business flourished. In 1922 Matsushita made his first diversification: He added bicycle lights, and sold directly into the retailing network, Japan's notoriously long and complex distribution chain. In 1930 he added radios.

From the start, Matsushita kept his prices as low as possible, passing on to the consumer benefits of economies of scale as production increased. Low prices were a necessity in the poor Japan of the 1920s, but the strategy developed then blitzed the U.S. market a half-century later. Matsushita incessantly discounted the prices of bulbs and batteries, competing fiercely for market share in a poor but growing market.

By the start of World War II, Matsushita had grown to be one of Japan's leading electric companies.

After Japan's defeat, the U.S. occupation authorities demanded Matsushita's removal as head of the firm for his part in the war effort, but the Matsushita labor unions strongly supported their old boss and the Americans relented. In 1951 Matsushita went to the U.S. to see the famous "rich America." Now, there was a market. He pledged to make Matsushita an international corporation.

In 1956 Matsushita was the first company in Japan to introduce a medium-term (five-year) business plan. The Matsushita group now numbers 600 related companies with $1 billion in profits from 14,000 products. Matsushita is widely respected among Japanese businessmen today as the "god of business management."

What accounts for Konosuke Matsushita's extraordinary success? Certainly good labor relations played a major part. He always encouraged every employee to feel responsible for each task, and for the success of the business plan itself. He knew how to get and keep the loyalty of employees. Perhaps that is because, unlike many other self-made men, he never forgot what it was like to be poor. Matsushita started working at age 9 to help support his poor family.

With a net worth of $2 billion, Matsushita is no match for some of Japan's property billionaires, but as a respected figure he towers above them. At 92, he is regarded as an almost saintly figure.—**Hiroko Asami**

HARUHIKO YOSHIMOTO

Don't Consume, Acquire

Once, in the Edo era (1603-1867), his family was a major landlord in the Osaka area, blessed with enormous farmlands. But times changed and much of the land was lost to confiscation and taxation. When World War II ended, Haruhiko Yoshimoto's company, Yoshimoto Tochi Tatemono, owned one lot somewhat larger than 6,000 square meters. Good luck, though: The sole lot was near the Osaka station.

The family's comeback as well as Haruhiko's great fortune owe much to an old family trait: Parsimony; don't consume, acquire. His motto: Save even one yen (0.7 cents) whenever you get a chance, and with it buy land.

Kyodo Press

Haruhiko Yoshimoto

Yoshimoto appears to enjoy exploring the outer limits of stinginess in the never-ending search for one yen. "In my office it is quite rare to place a long-distance call," this multibillionaire explains in his biography. "We wait until the other end rings. Neither do we buy writing pads, which my employees obtain from banks' counters." He is the only person among the billionaires so far contacted to have asked FORBES for an interview fee. He has written more than ten books on how to be really parsimonious and on how to make money.

Now that he is nearly 64 years old, his total property portfolio—including the original parcel with its office building near Osaka station, and the other 330,000 square meters of real estate accumulated in Osaka city and Hyogo prefecture—are lately worth nearly Y1 trillion, or some $7 billion.—**Hiroko Asami**

HIDEKI YOKOI

Billion-Dollar Ruin

He is a merciless man, it is said in print, a profiteer, and much more in the same vein. His miserable childhood may provide an explanation: His family was poor, his father alcoholic. Though he wanted an education, his father said no. Hideki ran away to Tokyo at 15 and apprenticed himself to a cloth wholesaler. Soon he had his own shop. But in the 1930s, with Japan arming feverishly and the militarists increasingly dominating the government, he switched gears and went into the military supply business and soon employed 3,000 people.

Behind the rapid growth, it is reported, were corrupt connections within the military. Example: Soon after the end of the war, Yokoi reportedly paid for military supplies by forging documents and sending faked billings before the U.S. occupation government stopped all payments for military procurement.

During the occupation Hideki again became a supplier of military clothing, this time to the U.S. Now, more good timing. In the early Fifties he shut the clothing factories and entered real estate. His wealth increased, but not his popularity.

His Hotel New Japan purchase in 1979 was supposed to establish his status and reputation. This hotel, on a large and beautiful site in central Tokyo, was a landmark in the capital city. But in 1982 it burned, and 33

Luis Birmingham

The New Japan Hotel, shown here, sits on an 8,700-square-meter (2.15 acres) plot in the heart of Tokyo. Ruined hotel and all (it is burned out within), the site is valued at some $1.8 billion. That's about $18,500 per square foot. This magazine, opened and placed on the front step, would cover an area worth almost $23,000.

Zakai

Hideki Yokoi

persons died.

The inquiry that followed revealed Hideki had economized a bit too much: He had failed to install the required fire-prevention equipment. Convicted of negligence and sentenced to three years, he is currently out, at age 74, on $1.6 million bail, pending appeal.

Meanwhile, the value placed on the devastated hotel site has risen dramatically—tenfold or more—since the fire. Today it is valued, with ruined hotel and all, at more than $1.8 billion (Y262 billion total, his 90% equity Y235 billion). Yokoi has turned away would-be buyers. With his other properties in Tokyo's more expensive districts, his wealth is thought to be well over Y247 billion—$1.7 billion.

And what about respect and admiration and the opinion of posterity? His tomb is reported to be of enormous size, in one of the most expensive cemeteries in Tokyo. Within the tomb, costly chandeliers await his arrival. If $1.7 billion can't buy you respect, it still can buy you an impressive mausoleum.—**Hiroko Asami**

YONEICHI OTANI

Son Of Indomitable

His father was a poor farm boy who became a sumo wrestler, a wine shop operator and finally a successful businessman, and made a fortune helping rebuild Tokyo after the Great Earthquake of 1923. In the end, Yonetaro Otani's small steel mill couldn't compete with Japan's steel giants, but real estate saved the family's fortunes.

In the mid-Fifties, Yonetaro bought a 69,000-square-meter parcel in the Akasaka entertainment district, where the now well-known Hotel New Otani is headquartered. Yonetaro explained in his biography that the land was being offered by an impecunious Japanese aristocrat and the city government wanted to keep it out of foreign hands. Yonetaro bought it as a patriotic gesture. That gesture made his family billionaires. A great land and hotel business grew from it.

The son, Yoneichi, worked in the family business even while attending Waseda University. The ever-dutiful son worked in the steel business, then

Yoneichi Otani

shifted to real esate. He built successfully on what his father started.

Yoneichi Otani is much different from his father. Where Yonetaro struck Japanese as imperious, Yoneichi is well-liked, open and sociable. He is also a tough, shrewd businessman: When the annex of Hotel New Otani opened in 1974, for example, he doubled the number of rooms but held the total manpower increase to about 1,350, from 1,250.

Yoneichi, now 72, has a net worth, at minimum, of Y327 billion, about $2.3 billion.—**Hiroko Asami**

RINJI SHINO

The Good Earth

Rinji Shino was born with the proverbial silver spoon. The Shino family is an old and prosperous one, which traces its ancestry to Kiyomori Taira, a ruler of Japan in the 12th century. Rinji's father was the president of Kansai Electric Power Utility Co. and owned a huge plantation-like property in the Kii Peninsula, near Osaka, worked by hundreds of sharecroppers. In the Taisho era (1912-26) he owned three villas and drove a Model T Ford—a man of considerable substance.

But the family's comfort was to be shattered. The electric company was nationalized. After WWII the huge farm was distributed to poor peasants.

Rinji Shino was determined to get the land back. He sold most of the considerable fortune in equities he inherited from his father and bought back as much Kii land as he could, both the old patrimony and any other parcels he could find at a good price. From this near obsession came a great fortune.

Rinji Shino

His land acquisitions reached a peak during 1957-59, with 1.3 million square meters near the new Osaka International Airport.

"When I bought it in 1958, the lot cost less than Y300 per square meter, but now it has shot up to Y100,000," he says. Total land properties in the Kansai area: nearly 2 million square meters, valued near Y300 billion, or about $2 billion.

He has sometimes gotten in trouble over his conversion of farmland to nonfarm uses. In 1963 he fled to France to escape an investigation into construction of his Sennan Country Club—under the laws at the time the land was not approved for use other than farming. He enjoyed himself in France but didn't neglect business. He bought there a 3-million-square-meter woodlot with heavily restricted development rights for Y200 million ($1.4 million) at the west end of Fontainebleau, near Paris. Soon the Paris subway will be extended to Fontainebleau, and land values have doubled.

No longer a fugitive, Shino, now 78, has retired to an aristocratic lifestyle at his home on a small mountain in Kii Peninsula. But there is an international touch. His home has French interiors. His two museums nearby store and exhibit the family's treasures, mainly old Chinese and Korean potteries—but also world masterpieces that include a Picasso. His table wine is a Monsieur Shino, delivered from his winery in France, where he visits at least twice a year.

And he is considering purchasing another vineyard—this time for champagne.—**Hiroko Asami**

KIYOFUMI MOROTO

The Woodsman With
The $300 Million House

Kiyofumi Moroto's fortune may be judged by his Tokyo home, a modest property, a little over an acre in the nice area near Shibuya station. Estimated worth? Y45 billion, or $316 million. Then there's a second house, in Kuwana City, on four to five acres. It may not be worth quite as much, but then its gardens are so beautiful that it has been designated a national treasure.

Moroto's isn't the usual Japanese success story. The traditional story is the son who got up earlier than anyone else and ran the family shoe store, plus a few real estate investments,

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Kiyofumi Moroto

into a $1 billion business. Moroto did it the old-fashioned way: inheritance.

His family, samurai warriors until they were defeated in battle 400 years ago, settled in to become agricultural landlords for a few centuries. Then the government, wanting to privatize some of Japan's national forests, made an offer that Kirofumi's grandfather couldn't refuse, and the family became forest owners instead of farmland owners.

Kiyofumi, now 75 and the present patriarch, took over at 17 because of the early death of his father. "Since then I have pledged myself to observe the will of Grandfather to live with the forest," Moroto says. Total value of his forests—some 3,000 hectares, or 7,410 acres—is estimated at well over Y16 billion, or $112 million. This, he contends, is an "interim figure" that could grow. Anyway, housing is yet to reach the peak, and Moroto wants to keep the precious logs—50- to 80-year-old cedars—off the market at what he regards the current "cheap" price.

Still, forestry is the smaller part of the family interests. Some of the land is now part of the town. Moroto rents out more than an acre in Shibuya—that's where Moroto's house and lot are, worth $316 million—and he is president of Moroto Towel, one of the largest towelmakers in Japan.

Altogether, he appears worth just about $1 billion. And think of the letters offering home equity loans.—**Hiroko Asami**

HIROTOMO TAKEI

"Sex, Sports And Screen"

They figured Hirotomo Takei would never be much of a journalist, but he really had the basics down pat: "The three Ss, namely sex, sports and screen [movies]." That was the self-described editorial policy of *Asahi Geino,* a weekly magazine he started in 1947. It was a runaway success.

Takei started as a newspaper report-

Zaikai

Hirotomo Takei

er in 1943, but transferred to the business side after a couple of years, quit during a strike, first starting up a textbook house and then his own magazine. He later helped make *Yomiuri Shimbun* the biggest daily in Japan, but quit after that, reportedly saying, "I have gone too far with youthful follies," which meant his do-it-alone success had been called arrogance and angered his seniors. Very un-Japanese behavior.

What happened after that was more in the mainstream. He had inherited some real estate and proceeded to develop it after 1958. His companies now own 29 golf courses and 33 hotels. In 1964 he took over a quasi-bankrupt leisure company. Now renamed Chisan Tokan, it has interests in real estate, hotel and office rentals.

Total revenue of the Takei empire, which includes convenience stores, restaurants and newspaper distribution again, is well over Y100 billion (or some $700 million). His and his family's properties are worth a minimum Y184 billion—$1.3 billion. Takei, now 66, is semiretired, writing books and painting.—**Hiroko Asami**

MASAHITO OTSUKA

One Man's War

One man's meat is another man's poison, one man's war is another man's profit. That's the story of Masahito Otsuka. He figured that the chaos and destruction in Asia after World War II would be good for a medicine company. So, at 28, he added drugs to the family chemical manufacturing and brokering business on Shikoku Island.

He was right. Business boomed, but so many other pharmaceutical companies had the same idea, and expanded production, that Otsuka was close to bankruptcy. In too deep to turn back, he gambled and upped the production of his injectable drugs despite the business reverses—just in time for

Zaikai

Masahito Otsuka

the boom triggered by the Korean War, which started in 1950.

Business shot up from Y18 million a month to Y100 million. Still lacking the technology and money to develop the new products of the big drugmakers, he figured the only way to survive was to imitate their major products and sell them cheaper, another successful strategy.

Today, thanks to good business in anticancer drugs, Taiho, the main company of the Otsuka Pharmaceutical Group, reported Y7 billion profits on revenues of Y59 billion for the year ended June 1986. With a P/E of 95, the holdings of the 70-year-old Chairman Masahito Otsuka are worth more than $1 billion.—**Hiroko Asami**

KEN HAYASHIBARA

Sweet Revenge

It's an old story: The family fortune is stolen away, but the young heir builds a new one, even greater, while the greedy thieves fail. Hollywood loves that plot and so must Ken Hayashibara.

His great-grandfather, Katsutaro Hayashibara, founded a malt syrup company in the last century. Ken's father, Ichiro, parlayed this into what was the largest candy company in Japan, Kabaya Shokuhinas. But when Ichiro died of cancer at 52 in 1961, the candy company directors issued more stock and maneuvered control away from the family.

Ken turned to biotech, developing maltose, the basic ingredient of a sugar intravenous drip, which gave his fledgling Hayashibara Biochemical Laboratory, Inc. the dominant role in that part of the pharmaceutical market. Now he's into genetic engineering, trying to develop an interferon.

With prosperity thus restored and the family crises resolved, the 44-year-old company president is a homebody, reading and practicing his karate. And the real estate assets, which Hayashibara held on to and built up after his father's death, have mushroomed in value to about Y146 billion, or $1 billion. That even dwarfs the family's estimated Y11 billion ($77 million) equity in Hayashibara.

The lost candy company, meanwhile, has since declined sharply. Success is sweet revenge.—**Hiroko Asami**

Kyodo Press

Ken Hayashibara

SEIJIRO MATSUOKA

Early To Bed

Want to become a billionaire? Seijiro Matsuoka has some advice for you: Get a lot of sleep—as much as 12 hours. He wakes at 7:30 a.m. and goes to bed at 8 p.m. (Also, he says, eat a bowl of ground white Japanese radishes every morning, enjoy a nightcap and have a hobby. His hobby? Buying art and real estate.)

Born the third son of a rice retailer in central Tokyo, he graduated from a commercial school and went to work as a clerk typist. Believing that English would be a big help to a successful businessman, he learned it from British missionaries. At 22 he founded a trading company. His first fortune came during World War I. He imported women's hair accessories and fake diamonds from what is now Czechoslovakia and was then Austria-Hungary, even though Japan had entered the war on the Allies' side. The goods were transshipped through the U.S. as long as it remained neutral. This brought enormous profit—around tenfold, he has said.

Other profits came from roundabout trades—shoe strings and pencils, for example, shipped to England, from there re-exported to Egypt. Matsuoka knew how to get around trade barriers—that was his great talent. He used to devote himself to the trading business daily until dawn.

Nevertheless, the profit began to drain out of the business as conditions deteriorated in the 1920s. He switched into real estate. The Great Earthquake of 1923 gave him his first opportunity: a 100-square-meter space in the Ginza for only Y4,000.

Robert Wallis/JB Pictures

Seijiro Matsuoka

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Shoji Uehara

Today his holdings include 20 Tokyo office buildings, plus a hotel at the Ikaho hot spring.

Now 93, he says: "I like to buy land, since it brings you money in your sleeping." He can say the same about his art collection, over 2,000 pieces, many, but by no means all, ancient Chinese ceramics. Scholars disagree on the authenticity of his pre-Christian Greek and Indian stone sculptures. But Matsuoka remains an aggressive bidder at Sotheby's and Christie's. To maybe $2 billion in real estate, add at least $100 million for his art—even if some of the stuff is of doubtful authenticity. **—Hiroko Asami**

SHOJI UEHARA

All In The Family

I will never match my father," said Shoji Uehara modestly. His adoptive father, Shokichi, had taken a small chemical company, Taisho Pharmaceutical, and turned it into one of Japan's richest companies. The father also served in the upper house of Japan's parliament for three decades.

But Shoji, now 59, was always too modest about his abilities. He inherited properties worth Y67 billion in 1983—the inheritance tax of Y25 billion set the record in Japan. Today his share of Taisho, which he ran, is worth Y112 billion, and with the shares owned by his immediate family, worth Y190 billion, or $1.3 billion.

Shoji wasn't Shokichi's real son, but a nephew through his wife. He was adopted by the couple, joined the company in 1948, was president by 1973 and chairman in 1982. Now the pattern is repeating with the company's being handed down—but not directly. Akira Uehara, the current president of Taisho, is Shoji's son-in-law. He has adopted the family name, and eventually Akira will succeed Shoji as head of the family. The bloodline will change again, but it's all in the family.**—Hiroko Asami**

YOHACHIRO IWASAKI

The Crazy Man

Born to a poor farm family like so many other Japanese billionaires (in Kyushu, the southernmost of the Japanese islands), he was apprenticed to a liquor maker and retailer. The shop bought from wholesalers the large bags of sweet potatoes used to make a Japanese firewater called *imo shochu*. To reduce cost, the youthful Yohachiro suggested the owner "field purchase"—that is, reserve the production of potato fields before harvest. Appointed as the dealer, he undertook a thorough investigation of each field, including past output results. That pattern—innovation backed up by careful, extensive study—would become his hallmark.

Japanese expansionism and development, he realized, meant extensive railroad construction; railroad ties would be needed. He jumped into logging, made out nicely in the aftermath of the Great Earthquake of 1923 and invested his profits in forest land. By the mid-1920s Iwasaki was one of the biggest log dealers in Japan. As the Japanese government extended Japanese railway tracks into China in the wake of Japanese invasion forces, Iwasaki made huge profits. He bought real estate.

Tourist real estate was an early interest. Iwasaki creates resort centers, sometimes in isolated towns and sometimes in foreign countries, for the Japanese, who like to stick together even while traveling. He is now creating an enormous Japanese resort on the Tropic of Capricorn on the central Queensland coast of Australia, a 20-kilometer seashore with planned hotels, golf course and tennis courts, and a 3,200-meter-long runway. He is buying land at the southern end of the Baja California peninsula in Mexico for a comparable project. The sales point is "the whales playing in the wide blue sea," he says.

Still a country boy at heart, the 85-year-old Iwasaki still bases his Iwasaki Group of some 50 companies in his native Kagoshima rather than in

Yohachiro Iwasaki

Tokyo. Today he owns Tokyo properties worth some Y50 billion, and other Japanese real estate worth some Y750 billion. His total holdings come to some $5.6 billion.—**Hiroko Asami**

EITARO ITOYAMA

Rebel With A Cause

Eitaro Itoyama was born on the wrong side of the bar sinister. His father, Shintaro Sasaki, made a fortune manufacturing light bulbs before the war, and building hotels and golf courses after. But Eitaro's mother was Sasaki's mistress, not his wife, meaning that this son couldn't assume the family name.

Eitaro, avoiding his father, went out on his own, dropping out of the university and becoming a car salesman. He built his own business, but a supplier skipped out with his money, driving Eitaro to the wall. He was forced to go, hat in hand, to his father. But he'd earned the elder man's respect, and they hit it off when they met; Eitaro was taken into the family business.

Once together, they were a spectacularly successful partnership. Eitaro became a public figure, leading takeover battles, first against Nakayama Steel Works in 1971-72 and later against Yomiuri Land, in 1984, helped by his father and noted racing magnate Ryoichi Sasagawa (Eitaro married Ryoichi's niece).

Eitaro, 45, has been in the legislature since 1974, but his political career is overshadowed by the business. When his father died at 82 in 1985, Eitaro became chairman of the family firm, Shin Nihon Kanko, and he and his two sisters inherited 8 of the company's 12 golf courses, by themselves valued at over Y421 billion, or nearly $3 billion. The lesser part of the fortune was bequeathed to his legitimate half-brothers.—**Hiroko Asami**

MASATOSHI ITO

Go West, Young Man—To Learn

Masatoshi Ito visited the U.S. in 1960, and from that first visit grew a web of supermarkets, restaurants and department stores with a market value of $15 billion, second among the world's retailers after Sears, Roebuck.

A graduate of a commercial high school in Yokohama, Ito started a successful clothing store in Tokyo immediately after the war. But after his fateful 1960 journey, he opened a chain of then-novel American-style supermarkets. A big success, he went back in 1972 to approach Dallas-based Southland for a royalty agreement. He opened his first Japanese 7-Eleven in 1974. Another brilliant success: The 1,000-square-foot stores are too small to be restricted under the Large-Scale Retail Store Law meant to protect mom-and-pop shops in Japan's complex distribution system. Moreover, the 3,000 or so shops are open 24 hours, perfect for hardworking people with no time to shop in supermarkets that customarily close by 7 p.m. Denny's Japan is another profitable byproduct of Ito's marketing tours in the U.S., serving moderately priced (around Y1000, or $7.04) meals to young suburban families in a relaxed American atmosphere.

Masatoshi Ito

U.S. retailers are not Ito's only teachers. He also follows Konosuke Matsushita's rationalized business techniques and radical decentralization of management (carefully monitored from headquarters, of course) and has even adapted Toyota's famous *Kanban* system of tight inventory control.

When Ito encountered a slowing in his business in the early 1980s, he again turned to the Americans. Inventories were getting out of hand as satiated Japanese consumers began to pick and choose. So he quickly introduced NCR's POS system at the cash register. The now-familiar laser-based tag readers quickly demonstrated their power to control inventory and analyze which products were selling and which were not. From 1982 to 1985 inventory turnover speeded up to 18.4 days, from 25.8.

The stake that is owned by Masatoshi Ito (now 63) and his family in his major interests alone—that is, Ito-Yokado, 7-Eleven and Denny's Japan, recently topped Y277 billion, about $2 billion.—**Hiroko Asami**

KANICHIRO ISHIBASHI

From Kimonos, Tires

Bridgestone Tire? Funny, the name doesn't sound Japanese. It isn't supposed to. The founder of the premier Japanese rubber company, Shojiro Ishibashi, knew that in 1931 the Japanese did not trust Japanese industrial products. So he chose an English-sounding name for this very Japanese enterprise. Furthermore, the name would help in opening overseas markets.

Born in 1889, Shojiro was the second son of a kimono tailor. Since his father was ailing, he took over the business with his elder brother and decided that machine-made clothing

Kanichiro Ishibashi

for the masses was the way to go, not traditional hand tailoring of kimonos. Shojiro set up a factory and installed machinery for mass production of men's socks.

How do you get from socks to auto tires? Indirectly, but logically, in this case. In 1923 his company, which along the way became Japan Gomu (Rubber) K.K., started production of tough, rubber-soled socks designed to replace the flimsy straw shoes called *waraji* worn until then by Japanese laborers. An early (for Japan) automobile buff, Shojiro the sockmaker was quick to appreciate the analogy to rubber tires. In 1931 he set up Bridgestone Tire with his elder brother and was on his way.

By 1933 he was exporting. During World War II he produced tires for aircraft and military trucks. That put him in trouble when U.S. forces occupied Japan, but Bridgestone rode it out. By the end of the Sixties its production was equivalent to half the total Japanese domestic consumption of 60 million tires per year.

Kanichiro, the eldest son, joined in 1945, after being graduated from Tokyo University. In 1963 he took over, at age 41, although his father lived on until 1976. He was quick to employ the quality control system known in Japan as the Deming Plan, after W. Edwards Deming, the American who made it a byword in Japanese manufacturing. Nevertheless, Kanichiro resigned in 1973 by an "order" from his father: The founder had decided that family management no longer suited the company. Today Kanichiro, 67, is Bridgestone's honorary chairman, and he and his family own shares and real estate interests worth more than $1 billion.—**Hiroko Asami**

KEIZO SAJI

Beer, Whiskey And Bare-Shouldered Women

Suntory was founded in 1899 by Shinjiro Torii, a young wine shop merchant who knew Japanese wine was foul-tasting and yearned to make something better. He began in 1907 with Akadama Port wine.

From the first, his company's hallmark was ingenious advertising. With the wine a success, in 1923 he set up a distillery in Yamazaki, situated between Osaka and Kyoto, and began to market Suntory whiskey in 1929—scandalizing Japan with the first ad using a bare-shouldered young woman.

He prospered, but modestly, until the 1950s, when Japan as a whole began to prosper and the Japanese began to imitate Western ways. They wanted whiskey, and—thanks to Japanese protectionism—Suntory was what they could get. Business boomed.

Kyodo Press

Keizo Saji

In 1961 his son, Keizo Saji, 41, took over the presidency. (His last name is from his mother's side of the family. It is not uncommon in Japan for an only daughter to perpetuate her family's name in this manner.) Saji's main accomplishment so far has been a 1963 relaunch into the fiercely competitive beer market against established competition from the likes of Kirin and Asahi.

At first Saji chose the then small and less crowded draft beer market, and also marketed a canned instead of bottled product. He installed vending machines at almost every corner of the Tokyo area. As a result of such strenuous efforts, he has gained around a 9% market share in bee That is relatively small compare with his penetration in whiske (68%) and wine (23%), but apparent a nice piece of business all the sam

He is now trying to develop a maj Suntory biotech business, for whic he set up a genetic engineering labor tory in 1979.

For now, the Tokyo-based Sunto group comprises alcoholic beverage food manufacturing, distributio publishing and real estate. Nearly the shares, worth an estimated Y58 billion, or some $4 billion, are own by Saji, now 67, and his family, i cluding Michio Torii, his young brother.—**Hiroko Asami**

MASAO NANGAKU

Bowling For Dollars

Before this year Masao Nangak was nobody in the U.S., and ev in Japan, he was Masao Who?

Then he began spending: In spri he bought a forest on Oahu to ch into a golf course. In early summ there was a castle in West Germany become a hotel. Then he bought t Dunes hotel-casino in Las Vegas. Su denly, he was Masao Somebody, 6 the real estate speculator and art c lecter. Vegas does that for people. R member Howard Hughes?

Nangaku, like so many other supe rich Japanese, started at the botto learned radio repair from a correspo dence course and trade school, th came home for World War II a opened a radio repair shop in Saitan

Masao Nangaku

prefecture. He made it on hustle, opening earlier than the others and sending out door-to-door salesmen. He jumped into making TV sets in 1955 but, no fool, jumped out just as fast two years later, when the big boys moved in.

His big strike was—bowling. He stepped to the line in 1964 as the craze grew in Japan, ended up with 2,670 bowling alleys, the nation's biggest chain, and then shifted into hotels and other leisure businesses, as the craze faded. Soon he was an important property owner.

Today his Minami group—from Minami Musen (wireless), Denki (electric)—all his, has revenues of $300 million at current exchange rates. But, thanks largely to the fantastic valuations on Japanese real estate, his net worth is thought to be well over $1 billion.—**Hiroko Asami**

SHIGERU KOBAYASHI

The Next Hot Thing

He was the second son of a furniture manufacturer rich enough to educate his children but old-fashioned enough to want them to learn the family business instead. So, after high school, Kobayashi went to work.

Returning from World War II (he is now 60) he wangled an "independence fund" and went out on his own to make his way in the world. First he set up a shipbuilding company that boomed during the Korean War but collapsed soon after, in 1955. In disposing of the factory site, he found the price of the land under it had shot up during Japan's postwar recovery. Shigeru Kobayashi had discovered real estate.

In the initial stages his Shuwa Group built "social buildings" in the Ginza: thin, tall buildings that typically house a photo or art gallery and a coffee shop on the ground floor and, above, a raffish collection of independent bars, restaurants, cabarets and the like, sometimes four to a floor. To attract tenants Kobayashi would open the first bar himself, sparing no expense and stocking it with charming B-girls. His buildings were soon full of eager renters.

Expensive condominiums were next. Shuwa's castlelike apartment houses roofed with blue tiling popped up in the high-class residential areas of Tokyo. But business for luxury apartments slumped after the Tokyo Olympic Games in 1964.

Robert Wallis/JB Pictures

Shigeru Kobayashi

So Kobayashi turned to middle-class condominiums in which he would finance the buyers himself, a first in Japan. By 1971 Shuwa was the biggest Japanese seller of condos.

The 1973 oil shock knocked the bottom out of that. He had to sell back most of his land inventory to the former owners at big losses. Ever resourceful, he shifted to office buildings, now 90% of his business.

So far that boom has held. Kobayashi's 50 or so office buildings have total floor space of 440,000 square meters. Now he is shifting to investments in the U.S., where he had previously only dabbled. In 1986 he bought the Arco Plaza in Los Angeles for $620 million and ABC's New York City headquarters for $174 million. This year he bought the *U.S. News & World Report* headquarters in Washington for $80 million. In all, he has invested close to $2 billion in U.S. properties.

The reasoning is simple: He reckons on a 7.5% yield in the U.S. real estate business, compared with 2% in Japan, and can finance it at far below U.S. rates in Japan. Revenues from Kobayashi's U.S. properties have already surpassed those of his Japanese ones, even though the latter have a net value of at least $5.5 billion in the superheated Japanese real estate market.—**Hiroko Asami**

GENSHIRO KAWAMOTO

It Beats Selling Drapes

He took over the family drapery shop but, after five years of dedication to the business, recognized retailing meant more hard work and less profit than real estate. In 1972, seeing the real estate market saturated in his native Fukuoka area, he launched into the Tokyo market as Marugen K.K. and shut the drapery shop in the same year. From the first, Kawamoto consistently targeted the entertainment and shopping areas, where rents per square meter were among the highest, renting to owners of bars, restaurants, nightclubs and boutiques. Much of his business success lies in his unique approach: As Kobayashi did with condominium buyers, Kawamoto would finance prospective bar owners for his "social buildings" and boutique operators for his shops, lending an ambitious young hostess the money to set up in business and cover the traditional "key money," or advance payment (after her business potential was carefully investigated). Evidently a good judge of business risk, he now owns about 57 well-rented buildings in Tokyo's entertainment districts—Ginza, Akasaka and Roppongi—accommodating some 3,000 tenants. Those

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The Competition

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Genshiro Kawamoto

properties plus around 3,000 square meters of commercial land are valued at an estimated Y148 billion, over $1 billion. Kawamoto, 55 and never married, lives in a huge four-story house (plus basement) in a high-class Tokyo residential area, on a lot of 500 square meters that is itself worth about Y5 billion, or about $35 million. He finds the time after work to indulge his fancy for Rolls-Royces and Mercedes-Benzes.—**Hiroko Asami**

RENICHI TAKENAKA

Old Line Construction Outfit

The Takenaka family has been in the construction business for almost 400 years. In the old days the family put up temples and shrines, and the likes of the Nagoya castle, one of Japan's most beautiful. They were leaders in learning and applying Western construction techniques. Now Takenaka Komuten, a construction and engineering firm, puts up landmarks like the Tokyo Tower and the National Theater, among much, much else.

Kyodo Press

Renichi Takenaka

Construction people everywhere like to keep things to themselves: They don't like to tell what it takes to win a contract, and they don't like to brag about profits, either. The Takenakas are no exception, closemouthed to the point of being secretive. The 14th president, Touemon Takenaka, was an industry leader, and in 1957 was named chairman of the construction industry association. But the 15th president, Renichi, now 76, and the current president, his son Toichi, 44, have concentrated on business and have kept the traditional low profile. Nevertheless, with a construction boom under way—company revenues were Y774 billion ($5.5 billion) last year—it is estimated that the family's equity is worth Y233 billion, or $1.5 billion, at the very least.—**Hiroko Asami**

TAKEO SHIGEMITSU

Return Of The Native

It's no secret that the Japanese dislike Koreans, and Koreans, who lived under Japan's rule for so long, have good reason to return the compliment. It's the rare man who can bridge such antagonism and be a success in both lands.

Shin Kyuk Ho, or Shigemitsu (his Japanese name) is that man.

Born Korean, he waited out the wa years in a Japanese university, ther built a fortune in his adopted land building soap and chewing gum busi nesses he still dominates with a 60% market share. His Lotte group, als into chocolate, food, real estate an leasing, had total sales of Y152 billio ($1 billion) last year. Lotteria, his fast food restaurant chain with almost 50 shops, is projected at Y61 billion sale this year.

But Shigemitsu figures that the Jap anese miracle is tired and that double digit growth in the future is to b found in his native Korea. Since th 1970s he has been shifting business t Korea—the latest balance sheet data for 1984, showed his Korean grou had net assets of 1 trillion Won, abou $1.25 billion today, more than his Jap anese assets.

It didn't hurt that an old friend, Yo Chang-Soon, for a time chairman Shigemitsu's Korean Lotte operatior is a former president of the Bank

Kyodo Pr

Takeo Shigemitsu

Korea and became prime minister Korea in 1982.

Shigemitsu, now 64, spends half th year in Seoul to administer the man moth Lotte group in Korea, and ha the year in Tokyo to administer th mammoth Lotte group in Japan. H owns a baseball team in each count and has Lotte Japan financing a $3 million—so far—shopping center i Seoul with hotel, department stor park and sport center.—**Hiroko Asam**

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CHUNG JU-YUNG

Like The Bull

If European wealth is usually second or third generation, Far Eastern wealth is often first generation. Chung Ju-yung is almost typical. When he was 14, farm boy Chung, too poor to afford the train, walked 300 miles to Seoul to seek his fortune—from errand boy to an auto repair shop called Hyundai to Hyundai Motors by way of the construction business.

After World War II Chung prospered doing auto repair work for the U.S. Army, which led to military contracts, including construction, during the Korean War. Chung so impressed the late President Syngman Rhee with his work restoring a major bridge that Rhee instructed officials to give many government contracts to Hyundai. Chung was aggressive, a bull, even violent, but he commanded respect wherever he went.

Under the Park regime in the 1960s, Hyundai really began to take off. Shipbuilding? Chung had no experience in it, but was it really so different from construction? He built a super-efficient operation that became the world's largest shipyard. Park rewarded him with ever more government contracts.

Chung Ju-yung

When shipbuilding slumped, Chung capitalized on the Middle East boom. Building the $930 million Jubail Industrial Harbor complex in Saudi Arabia established Hyundai's international reputation. Lately, attention has focused on Hyundai worldwide success with its Excel sub compact car.

Chung may be the richest man i Korea, but his frugality is legendar according to *Business Korea*. He sti rises at 4 a.m., lives in a mode home—strategically situated near th presidential Blue House in Seoul and eschews foreign luxuries, eve banning coffee from company pr mises. Chung has tried to impose h rigid self-discipline on his 155,0 employees, for example, forcing the to save 30% to 40% of their salarie He is always addressed as "chai man"—even by his wife.

Last year Chung announced that h would donate 90% of his fortune his Asian foundation, set up in 197 in response to government pressur to go public, a move he vigorous opposes. So far it looks as if Hyund will remain a family affair, despite th government. Chung's family will sti control the voting shares through th foundation. Insiders say that Chung eldest son is being groomed to tal over. Another favorite is his sixth so Chung Moon-yong, president of o of Hyundai Group's flagship comp nies. Five other sons run subsidiarie But Chung, 71 and in good health, h said he won't retire for another t years.—**Diana Fong**

Chaebols' end?

Hyundai, Samsung, Daewoo, Lucky-Goldstar. These are the big four of South Korea, each a *chaebol*, or conglomerate, and each a huge, intricate network of companies founded and controlled by one entrepreneurial family. The founders of Hyundai and Samsung, the two largest *chaebols*, are probably billionaires.

In the U.S., Hyundai is known for its Excel subcompact, Samsung and the others mainly for consumer electronics. In Korea, however, the big four are known for power. Everywhere they dominate, from shipbuilding to computer chips to consumer goods. Their sales accounted for 5.3% of Korea's GNP in 1986.

The *chaebol*, modeled after the Japanese prewar diversified holding companies, *zaibatsu*, was seized on by a desperate Korean government after the Korean War to carry out a forced march into industrial development. With Korea in ruins and its existence constantly menaced by the Communist-ruled North, the Seoul government backed a handful of brilliant entrepreneurs and businessmen, protected their domestic markets and lavished easy loans and preferential taxation on them. There was a price: This preferential treatment made it almost impossible for smaller competitors to rise, thus concentrating economic power in a few hands.

This politically flawed decision produced fast economic results. Korea today has a dynamite economy. It also has social and political unrest. So the government is moving to break up the *chaebols*, the better to create a competitive and diversified domestic market. Witness the government's recent support of a strike against Hyundai, the biggest.

As politicians push to spread ownership around, the *chaebol* families struggle to hang on to what they can. The families are widely believed to own many other, still-private companies, as well as substantial shares of the listed companies directly or through cross investments. Korea's biggest tycoons lead publicly modest lifestyles: They admit to little and conceal much. Yet Hyundai's founder and Samsung's, by wide agreement Korea's richest men, are probably worth $1 billion each from business holdings, and reportedly own substantial real estate, art collections and the like.

LEE BYONG-CHULL

Like The Fox

They are a study in contrasts. Chung Ju-yung at Hyundai leaped to the daring gamble. Chairman Lee Byong-chull, Samsung founder, cautiously and meticulously pursued the big sure thing. Chung, the eldest son of a poor farmer, barely completed primary school. Lee, the youngest son of a wealthy landlord, attended Japan's prestigious Waseda University.

Between them they dominate much of the Korean economy.

In 1936 Lee started a rice mill with an inheritance, then expanded into trucking, real estate, brewing and noodlemaking during Japanese colonial rule. It was a pleasant life. For a time "I became a frequent patron of hostess' houses in the Taegu area," he once wrote. "I made pleasure-seeking tours of Seoul and Kyoto, seeking a more exotic environment and interesting girls."

But after World War II, ambition returned. Lee became an importer and flattened mightily during the Korean War. He escaped from the communist forces that overran Seoul and set up again in the Pusan perimeter. Wartime profits financed a domestic sugar monopoly, eliminating a costly national import. Within two years he was big rich by Korean standards. Sugar profits financed wool imports, then a domestic textile industry to replace cloth imports. By the late 1950s, favored by President Syngman Rhee, Samsung was acquiring other companies, including half of all commercial bank shares. Next came fertilizer production.

Lee Byong-chull

But under General Park's military government, Lee became the main target of the "illicit wealth accumulation investigation." Lee was placed under house arrest, and Park "suggested" Lee should "donate" Samsung stock to the government in expiation. Lee talked him into taking a fertilizer plant instead. Soon another scandal erupted: Lee's staff, including one of his sons, had illegally profiteered by smuggling from Japan. That had to be settled, too.

But a man who prospered, first under Japanese colonialism, later under different nationalist regimes, learns how to manage these problems. Samsung *chaebol* rapidly expanded in the 1960s into insurance, department stores, paper mills and mass media. In the early 1970s Samsung moved into consumer electronics (it is now Korea's leader in that field); in the mid-1970s into petrochemicals and heavy industry; in the 1980s into semiconductors, aerospace and genetic engineering.

Lee, still active in management, puts the employees through Japanese-style training programs. Now 77 and recovered from a bout with cancer, he spends much time on the golf course. The present government wants to break up Samsung, but Lee isn't all that worried: He has survived worse. He is preparing third son Lee Kun-hee as the most qualified to manage the $17 billion (1985 revenues) group he created.—**Diana Fong**

Taiwan

Y.C. WANG

Some Risk

Du Pont and B.F. Goodrich couldn't make money on the stuff, but Y.C. Wang, Taiwan's 70-year-old leading industrialist, has made a billion-dollar fortune in polyvinyl chloride (PVC), a plastic polymer used for everything from pipe fittings to vinyl footwear. Since acquiring the technology to produce PVC from the Japanese for $1.2 million in 1954, Wang's Formosa Plastics Group has grown into a network of integrated companies that generated $4 billion in sales and $379 million in pretax profits last year. The group's three listed companies have a combined market value of $5.7 billion, with the Wang family's stake worth roughly $2.3 billion. In addition, Y.C. and his family have extensive Taiwan landholdings.

Y.C. Wang

For the son of a poor tea merchant who couldn't afford a pair of shoes, Wang's frugality and Confucian work ethic have paid off. Wang tells the story of how he once beat out a Japanese competitor. "[He] closed his mill at 6:00 and rested comfortably in a warm bath. I worked until 10:30 and took a cold shower in the open air, winter or summer. My business volume and profit finally surpassed my neighbor's. Once one relaxes, he will be left behind." Son Winston now manages a division and has a Ph.D. in chemical engineering from Britain. Y.C.'s younger brother, Y.T., and William, Y.T.'s son, are also managers in his company.

While his U.S. competitors are fighting losses in PVC, Wang is expanding in the U.S., where he already owns 14 plants and a mansion in Short Hills, N.J. Wang bought in at low prices in the early 1980s and turned around moneylosing operations, such as Stauffer Chemical, by getting rid of the overhead, high wages and overstaffing typical of big business, and running the plants like small businesses.

Wang's is a highly integrated business. Formosa Plastics Corp. produces

PVC raw material and other petrochemicals, Nan Ya processes the resin, and Formosa Chemicals & Fiber makes fibers for backing PVC "leather." Most recently Wang injected $1 billion into a project that will give Formosa Plastics its own naphtha cracker to produce a key ingredient in PVC. Beloved Wang is not, but as a manager of people and of resources he stands high.—**Diana Fong**

CHANG YUNG-FA

Round-The-World Outsider

The world's largest owner and operator of container ships is virtually unknown even in his native Taiwan, little known even by the shipping industry's secretive standards. Yet Chang might well be the greatest sea lord of the 1980s. He is a gambler who took enormous risks to achieve tremendous gains during the industry's spectacular bust. In 1983 he shocked the industry by buying 24 container ships when his competitors were scrapping them, and launched Evergreen's round-the-world service, the first of its kind. Today Evergreen offers both eastbound and westbound service, linking major container routes across the continents. The Evergreen Group earned $58 million on $1.4 billion in revenues last year. A company within the group is expected to go public quite soon on Taiwan's booming stock exchange.

Ed Kashi

Chang Yung-fa

Chang, 60, is an outsider by choice. When he entered the container shipping business in 1975, he undercut his competitors' cozy, regulated cartel by slashing rates and offering equal service. Chang, who once described the cartel founders as "a bunch of pirates," explained to FORBES that "as an outsider, we're free to do whatever we want. We can move quickly to tailor service to customers' needs." And his line, a fleet of modern, automated ships manned by nonunion, low-paid Chinese crews, has earned a reputation for reliability and service.

"I know almost everything about the shipping business," says Chang. Born in the Taiwanese port city of Keelung, Chang has spent most of his life in shipping, working his way up from seaman to captain in the Japan-Taiwan trade. In 1968 he started Evergreen with a secondhand vessel acquired with backing from Marubeni Corp., the huge Japanese trading company. Chang is a Japanophile who speaks the language and enjoys watching old samurai movies. He runs Evergreen in the disciplined and regimented Japanese style. Company uniforms are green, as are the carpets, telephones and even toilet stalls at Evergreen's Taipei headquarters. Yet Chang is Chinese—much the autocratic family patriarch—with sons positioned to take over when he retires. Chang, who quit smoking, stopped drinking and became a vegetarian recently, is clearly still not ready to go, however.

TSAI WAN-LIN

How To Save Face

In the 1950s Tsai Wan-chun popularized savings accounts in Taiwan by establishing the minimum deposit of only one Taiwanese dollar (currently 3 cents)—an amount most banks scorned to handle. In typical Chinese fashion, he appointed his younger brothers and sons executives in his soon burgeoning Cathay group, which expanded from banking into insurance, construction, hotels and food.

The group split up in the late Seventies, after Wan-chun had a stroke and could no longer hold his feuding family factions together. The two sides are not on speaking terms, and it's easy to see why.

One side coalesced around Wan-chun's son, Chen-chou. Alas for them, two years ago the son was sentenced to prison for issuing millions of dollars in bad checks, among othe counts of fraud, and making $177 mi lion in improper loans that led to classic run on and collapse of Tent Credit Cooperative, Taiwan's large savings and loan institution. Cher chou disappeared, is supposedly dea from liver cancer, but is widely b lieved to have slipped out of Taiwa for parts unknown.

The more respectable side cente on one of Wan-chun's brothers, Ts Wan-lin, who now runs the most pro itable sector of the Cathay group—li insurance and construction. Wan-li who keeps a low profile, did ever thing possible to distance himse from the banking scandal that di graced the family name. He took out newspaper ad disclaiming any bus ness ties with his errant nephew ar refused to settle Chen-chou's debt Wan-lin even went out of his way pay off his own debts, unasked, in h highly leveraged construction bus ness, a move that deeply impresse Taiwanese badly rattled by the failu of his relatives' bank.

Wan-lin has succeeded in buildi up his reputation for integrity and sc id management skills. Cathay Li greatly outperformed most oth companies on Taiwan's boomi stock exchange this year—doubling August and making the Tsai Wan-l family's estimated 80% worth $3 billion on paper, up from $1.8 billi in July.—**Diana Fong**

Hong Kong

KADOORIE FAMILY

Old China Hands

Lord Lawrence Kadoorie, the 8 year-old chairman of China Lig & Power, keeps a ragged Hump Dumpty doll in his office as a symb of the troubles that have sometim befallen the Kadoories since fath Eleazar, an Iraqi Jew, migrated east the 19th century. Of course, there nothing ragged about the tremendou ly wealthy Kadoories, but the d serves as a reminder that even t mighty can fall. An established m chant family in Shanghai and Ho Kong decades before World War II, t Kadoories were imprisoned by t Japanese during the war. When t war ended, they rebuilt their bu nesses, and, if the story is true, mad legendary mistake: It is said that af

Frank Ho Block The Stock House

Lord Lawrence Kadoorie

South China Morning Post

Horace Kadoorie

Reuters Bettmann Newsphotos

Michael Kadoorie

the Japanese surrender, the present Lord Kadoorie saved a Japanese soldier from a Chinese firing squad. Two years later that soldier offered Lord Lawrence a 50% stake in his startup company for £25,000 in venture capital. Lord Lawrence politely declined. The soldier was Akio Morita of Sony.

According to Crosby securities, the Hong Kong-based Kadoories—Lord Lawrence, brother Horace (85), son Michael (46) and son-in-law R.J. McAulay—preside over a $3.3 billion utilities empire, a major hotel group, carpetmaking and textile businesses and a cross-harbor tunnel company in Hong Kong.

Their flagship company is China Light & Power, but their most visible presence is Hong Kong's stately Peninsula Hotel, a landmark for 60 years.

As British rule wanes in Hong Kong, the Kadoories face increased challenges from the Chinese. Earlier this year Michael Kadoorie, chairman of the hotel group, narrowly escaped being thrown off the board by an outsider, Joseph Lau, who had built his stake to just under 35%. The board rallied to Michael, and the hotel is safely in Kadoorie hands again.

Lord Kadoorie's big project right now is China Light & Power's joint venture with the Chinese Communist government to build a $3.7 billion nuclear power station at Daya Bay, near Hong Kong. The project reflects Lord Kadoorie's commitment to the future of Hong Kong under Chinese sovereignty after 1997. Isn't it risky dealing with the Communist government? The family built its fortune on taking risks—and surviving troubles. That's what Humpty Dumpty stands for.—**Diana Fong**

SIR YUE-KONG PAO

The Future Is China

I'm a banker. The speculators always expect the best to happen. The banker, he always plans for the worst," says Sir Y.K. Pao, Hong Kong's best-known personality, the billionaire sea lord who hobnobs with Margaret Thatcher and talks privately with Deng Xiao-ping. He controls a $2 billion property empire with interests in hotels, public transport, retailing and trading that account for 7% of Hong Kong's stock market capital, according to James Capel (Far East) Ltd. But banker or speculator, he's still on top at 69, and investing in what he thinks is the future, this time, China.

Sir Y.K. was the second son of a Shanghai banker. He fled to Hong Kong in 1948 just before the Communist victory but apparently did business with the mainland Chinese, even when the U.N. imposed a trade embargo during the Korean War. He bought his first vessel in 1955, and his specialty was the long-term lease of oil and bulk tankers, which brought in slow but steady profits.

He chopped down his fleet during the 1970s shakeout, but shipping still accounts for a substantial part of his private holdings. Now he's even buying tankers again, at super-low prices from Korean shipyards.

Along the way, he was knighted by the Queen in 1978, and has been capitalizing on the trend to shift ownership from British hongs, or trading companies, to Chinese entrepreneurs. His Wharf Holdings Group took over Wheelock Marden, for example, an old-line British trading house, in 1985. Even his 37% stake in Dragonair, an upstart private airline, is a challenge to British-controlled Cathay Pacific *(see Swire)*. Recently Sir Y.K. was one of the three "white knights" to rescue Britain's Standard Chartered banking group from a hostile takeover bid by Lloyds Bank.

He has resigned as chairman of

Vivienne Mears

Sir Yue-Kong Pao

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Wharf Holdings and of World International, the investment holding company that controls all his listed companies, in favor of two highly competent sons-in-law—Peter Woo, who presides over the public companies, and Austrian-born Helmut Sohmen, who looks after the private shipping and aviation interests.

Still, Sir Y.K., who keeps fit by swimming daily, is very much in charge, but he seems to be spending more time on developing relations with China. He has donated millions of dollars to building schools and hospitals back in his native Ningbo. A little fertilizer today helps tomorrow's harvest.—**Diana Fong**

LI KA-SHING

Balancing Act

Yet another Far Eastern Horatio Alger: Li Ka-shing, 59, may be Hong Kong's wealthiest and most respected tycoon. No money, little formal education, a refugee from the mainland, he was a toy salesman and then owner of a plastics factory. Li made a modest fortune in plastic flowers in the 1950s that he parlayed into property development just when Hong Kong's economy boomed spectacularly. In 1972 Li's flagship company, Cheung Kong, which held his property interests, became public.

When the world oil crisis broke the Hong Kong stock market in 1973, Li was able to buy property cheap—the Hong Kong Hilton, for example. And Hutchison Whampoa, one of the old British trading companies, where he installed himself as its first Chinese chairman.

Li's five listed companies—Hutchison, HK Electric, Cavendish and Green Island Cement, all ultimately controlled by Cheung Kong—account for 20% of the Hang Seng index market capitalization. His 34% stake in Cheung Kong, plus small direct stakes in the other listed companies, totals roughly $1.2 billion.

Though Li keeps a low profile, his near-control of the stock market keeps him in the news. As did his companies' recent acquisition of Canada's Husky Oil, interpreted as a no-confidence vote in Hong Kong, even though Li loudly assured local investors that only 10% of his business interests are outside the colony. The public was not convinced.

For example, Li owns the $67 million Toronto Hilton and reportedly has a 9% stake in the Canadian Imperial Bank of Commerce valued at over $230 million. His son, Victor, a Canadian citizen, owns 9% of recently turned private Husky, a stake that had a market value of $64 million. And Li owns $16 million worth of Kaiser Aluminum, now called KaiserTech.

Poor Li Ka-shing! He must perform a delicate balancing act: not offend Beijing while he reduces his personal risk when Hong Kong reverts to China in 1997. He is involved in a joint venture with the Chinese Communist government to build a coal-fueled power station near Shanghai. Maybe for this the folks in Beijing will indulge him a billion or two in North America.—**Diana Fong**

Luxe & Better He Stock House

Li Ka-shing

KWOK TAK-SENG

Roofs For Refugees, Roofs For Their Jobs

He is perhaps one of the most traditional Chinese property tycoons in Hong Kong: quiet, cautious, apolitical, hardworking, frugal—the classic Confucian virtues. Though he was born in Macao, the Portuguese colony notorious for its gambling casinos, Kwok Tak-seng, 76, identifies more with his family's humble roots in the small Cantonese village where Sun Yat-sen, the founder of modern China, was born.

Unlike other Chinese billionaires, Kwok has few ties to China, except for a donation to build the Sun Yat-sen memorial in Guangzhou. Instead, he has committed his Sun Hung Kai Properties Group exclusively to Hong Kong. Recently Kwok has been trying to reverse the group's image as a developer of low-income housing by acquiring prestige commercial and residential sites. Yet his fortune was made by understanding the needs of the working class—from which he sprang.

Kwok Tak-seng

Kwok never learned English or even Mandarin Chinese. He speaks only Cantonese. Escaping to Hong Kong in the 1940s, he rose to be the exclusive agent for Japan's YKK zippers. When thousands of refugees poured in from China, Kwok recognized the pressing need for inexpensive housing and for textile factories to employ them. In the early 1960s Kwok and two friends, Fung King-hey and Lee Shau-kee, founded Sun Hung Kai Enterprise Co. Ltd. The partnership dissolved in the

early Seventies, though the three remained close friends. Kwok kept the well-known name Sun Hung Kai and created a vertically integrated property conglomerate, from construction to real estate management. His group diversified into insurance, financial services, restaurants and cinemas.

In traditional Chinese style, Kwok's three sons, Walter, Thomas and Raymond—all in their 30s and educated in England—are managers in the family business. Kwok is still in charge, though his weak heart is slowing him down. He has a home in Hong Kong's fashionable Repulse Bay but lives modestly, despite his family's 43% of Sun Hung Kai Properties, worth $1.1 billion (not including preference shares) and his commercial property in San Francisco, valued at $115 million.—**Diana Fong**

LEE SHAU-KEE

Excuse His Dust

There's a Chinese saying that partly explains property magnate Lee Shau-kee's success: "Speedy first, then slow and smooth." While other property developers are conducting detailed feasibility studies on the profitability of a land site, Lee, the 59-year-old chairman of Henderson Land, has already made a snap decision on whether or not to buy it. Does that make him a rash gambler? Not at all. It's simply that he has done his homework better than competitors have. "He's good at identifying opportunities and making quick decisions because he knows Hong Kong so well," explains Henderson director Colin Lam.

Lee started out in the 1950s, buying plots of cheap land that other investors dismissed. Consolidated and developed, they reaped enormous profits when land values took off in the 1960s. Meanwhile he became the youngest partner of a clannish Cantonese triumvirate that included Kwok Tak-seng of Sun Hung Kai Properties *(see Kwok)* and Fung Kinghey, a financier whose property empire teetered before he died in 1985.

Though the partnership dissolved in the early 1970s, Lee and Kwok remain close friends. But Lee is less traditionally Chinese than Kwok. He tends to rely more on outside management than on family members and is more visibly active in the community. Like most other Asian billionaires, Lee works hard. But he also reserves time for golf and skiing. And he lives modestly, in spite of his family's combined 70% stake in Henderson and 26% of Hong Kong & China Gas, worth $1.1 billion.—**Diana Fong**

South China Morning Post

Lee Shau-kee

CHENG YU-TUNG

Very Large Child

First he married the boss' daughter, then he turned his father-in-law's small Macao gold shop into one of Hong Kong's largest diamond trading and jewelry retailing businesses. The firm now generates $1.4 billion in annual sales.

"Women love jewels," Cheng Yu-tung told Anita Leung of the Hong Kong Stock Exchange, "so as long as women continue to live on this planet, business will keep coming." Women also need places to live, and Cheng invested in small-scale lower-income residential housing. Now he is a big developer.

When Cheng, 61, develops property now, he does it in a big way—projects like the prestigious New World Centre, a complex on the Kowloon waterfront he built in the 1970s that is comparable to the entire floor space of the Empire State Building and contains the crown jewel of his empire, the world-class Regent Hotel. The Centre has great personal importance to him: It put him into Hong Kong's big time, according to Baring Securities. The complex, which was designed by an American architect, transformed a remote, undeveloped site into one of Hong Kong's most expensive residential and commercial districts for Cheng's New World Development Co. That and other holdings make him a billionaire.

Now he's developing another wa terfront project in the former red-ligh Wanchai district, turning the world o Suzie Wong into a $408 million finan cial and tourist hub featuring Hon Kong's largest convention center.

What happens after 1997 when th Beijing government is slated to tak over Hong Kong? Cheng says he i "absolutely bullish" on the future an he is investing in Hong Kong to prov it. But he already has a personal in vestment in Vancouver's Holiday In and probably will buy more in Nortl America.—**Diana Fong**

Singapore

LEE FAMILY

The Bank

The Bank" is how Singapore' Oversea-Chinese Banking Corp is known in Southeast Asia, and i has a stock market value that ex ceeds Bank of America's. But th family that controls OCBC is just a well known for being the world' biggest rubber trader. And as South east Asia's most generous philan thropists: When he died in 1967, Le Kong-chian, Singapore's "rubber an pineapple king," used his wealt and power to further charitable an civic causes. "He set up a founda tion since he didn't want his chi dren to become excessively rich, says a close associate of the famil "He remembered his own humbl beginnings."

This poor immigrant from Chin started as a rubber trader. He later ra a small local bank in Singapore an

Kwok Fo

Lee Kong-chian

merged it with two other banks to form OCBC in 1932. In the Depression he bought thousands of acres of rubber estates and vacant land at rock-bottom prices—with backing from Hongkong & Shanghai Bank. Throughout, Lee used his growing wealth in ways that gained popularity as well as power—for example, helping employees buy their own homes.

During the Japanese occupation of Singapore, Lee represented two rubber associations in Washington, D.C. and lectured on Southeast Asia at Columbia University, while raising funds for war relief back home.

Returning after the war, Lee bought huge quantities of rubber when prices tumbled to a few cents. Then when prices took off during the Korean War, he sold his supply at enormous profit to the U.S.

Today, besides banking, Lee's OCBC group has investments in virtually every sector of the regional Southeast Asian economy and owns shares in every blue chip on the Singapore and Malaysian exchanges.

Lee Seng-wee, Lee's youngest son, is a director of OCBC, while other sons run the private trading businesses. The family owns 30% of "The Bank," worth roughly $750 million. Their private interests account for at least $500 million.—**Diana Fong**

Indonesia

LIEM SIOE LIONG

Uncertain Future

Known commonly in Indonesia as Liem Botak (Liem the Bald), he is quiet, unobtrusive, speaks almost no English, and his broken Indonesian is accented heavily in Chinese. Yet Liem is a business tycoon in his adopted Indonesia. At 71, he reportedly controls over 40 companies domestically and a dozen abroad, in 60 types of businesses ranging from flour to steel to international finance.

From peasant roots in southern China, Liem came to central Java at 20 to work with his brother and uncle in the peanut oil trade. He began trading cloves, supplying the large *kretek* (clove-laced cigarette) industry in Java. But Liem's big coup was in backing the right side when Indonesians rebelled against Dutch rule after World War II. He helped supply the rebels, and developed close ties with

Paul Handley

Liem Sioe Liong

an ambitious young lieutenant colonel named Suharto. By the time Suharto came to power in 1965, he and Liem were already business partners. In 1968 Suharto granted one of Liem's companies a monopoly for importing cloves. Monopolies in flour and cement, as well as open credit lines from state banks, soon followed.

Being Chinese, Liem is not beloved in Indonesia. Less than 3% of Indonesia's 170 million people are Chinese, but these industrious people control 70% of the private domestic capital. This helps explain Liem's low profile, modest lifestyle and adoption of the Islamic name Sudono Salim (Indonesia is 90% Muslim).

Not surprisingly, Liem is moving assets abroad. In 1982, for example, he bought San Francisco's Hibernia Bank for $70 million, then sold it to Hong Kong-based First Pacific Group, also controlled by Liem investors, for $100 million. (The bank is once again for sale.) The Liem group is composed of Liem's sons, members of the Suharto family and their close associates.

A fair estimate of Liem's net worth: $2 billion.

Australia

KERRY PACKER

Richest Australian

Now that Rupert Murdoch is a U.S. citizen, the wealthiest Australian apparently is another media mogul, 49-year-old Kerry Packer. His father, the late Sir Frank Packer, helped start the Sydney *Daily Telegraph*, founded the popular magazine *Australian Women's Weekly* and participated in a Fijian gold mine. His publicly traded Consolidated Press Holdings set up the country's first commercial TV station in Sydney in the early Fifties and built a network from it.

Packer's older son, Clyde, was running Consolidated's TV stations by the mid-Sixties but became fed up with his father's interference. Clyde dabbled in politics, eventually sold his shares and, now living in Santa Barbara, Calif., he publishes *Surfing* and a few other small magazines.

This left the younger, largely untried Kerry when Sir Frank died in 1974, at age 68. Kerry, at 6 foot 4 and 240 pounds, is very much in the mold of his father. He is married, has two children, but is boisterous, hard-living and one of the country's biggest bettors at the track (where he's apparently a big winner). In 1983 he took the lucrative empire private in an incredibly cheap $200 million leveraged buyout. Two years later he sold off its suburban newspapers. He began to invest in takeover targets.

Packer's greatest coup so far was his January 1987 sale of Consolidated's television business to Bond Corp., the vehicle for Alan Bond, a lesser Australian magnate. Packer got $750 million. But there is plenty left: some 50 magazine titles, 34% of Muswellbrook Energy & Minerals, extensive cattle ranch holdings and a separate TV station in Darwin serving Australia's Northern Territory. Altogether, even allowing for debt, he's worth more than $1 billion (U.S.).

Like Rupert Murdoch, Robert Holmes à Court and other wealthy Australians, Packer is finding Australia's relatively small economy confining. Like them, he is investing abroad. In December he paid an estimated $300 million for privately held Valassis Inserts, the U.S.' largest independent publisher of newspaper inserts.

Kerry Packer

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In May he bought control of *California*, a monthly magazine.

Kerry Packer also has assorted interests in Europe, in chemicals, aviation and ship chandling, and a 13% position in London's Hill Samuel, a merchant bank that was a recent takeover candidate.—**Thomas Jaffe**

ROBERT HOLMES À COURT

Welcome To The Club

Unlike countryman Packer, Robert Holmes à Court is totally self-made. He became Australia's other visible billionaire within the past few months—thanks to Australia's surging stock market. Born in Johannesburg, schooled in South Africa and New Zealand, Holmes à Court immigrated to Australia to study law and, at 50, has risen to be his country's foremost corporate raider.

As a lawyer he represented small-time entrepreneurs and decided he could become one himself. In the early 1970s he took over a woolen company, and he was on his way. From there, an electrical company, a plumbing business and an auto dealership followed. Then a whole series of bids, including many failures, but eventually enough successes to put under a single large umbrella—he called it Bell Group Ltd.—and become a big-time threat.

Through $700 million (sales) Bell Group, Holmes à Court now has a history of putting companies in play, only to be bought out by higher bidders or the companies themselves. He meanwhile piously objects to being called a greenmailer.

On the other hand, he steadily bought, year after year, into Australia's giant natural resources combine, Broken Hill Proprietary. With 28%, he has finally gotten onto its board. And he owns about 15% of Britain's Standard Chartered Bank, of which he is also a director.

AP/World Press Network 1987

Robert Holmes à Court

Holmes à Court first got his feet wet in the U.S. in 1985, with a position in Asarco, which paid him greenmail. Last year he bought into USX, and this year, 10% in troubled Texaco. The targets get bigger and bigger.

Holmes à Court is famous for his wry sense of humor, and he loves chess, which he is known to play at the office against a computer. He collects antique cars, Australian landscapes and aborigine art as well as European 19th-century painting and sculpture. He is married and has four children. He has two horse farms with over 120 brood mares and has already bred the winners of major stakes races in Australia.

He owns several homes in Australia and a 29-room mansion in London. New York? Not yet, but hopeful real estate agents might put him on their future prospects list.—**Thomas Jaffe**

India

BIRLA FAMILY

Masters Of The License Raj

When her colonial rulers left 40 years ago, India's British Raj was replaced by the License Raj—a maze of government decrees, directives and regulations. The system spawned corruption as bureaucrats and cabinet officials demanded hefty bribes to approve permits. India nevertheless became the world's eighth-largest industrial power—entrepreneurial resourcefulness triumphing over socialist corruption.

No entrepreneurial group has been more successful than the Marwaris, a small, closely knit community originally from the western Indian state of Rajasthan. The most prominent have been the Birlas. Their founding patriarch, G.D. Birla, made his first million in textiles by the age of 30. He turned down a knighthood because of his friendship with Mahatma Gandhi, and heavily supported the nationalist campaign to oust the British. The nationalists who later became free India's power elite rewarded the Birla family with lucrative contracts.

After independence, the Birlas continued their lavish contributions to the ruling Congress Party. So accomplished are they in manipulating the bureaucracy, and so vast their network of intelligence, that they frequently obtain preemptive licenses, enabling them to lock up exclusive rights for businesses as yet unborn.

But connections are not the only Birla asset: The family runs an efficient show. "There are no pretentions to corporate democracy in Birla companies," says economist-editor Dilip Thakore. "The boss is a godlike figure. The Birlas value loyalty and high performance and they generously reward their best performers." More than 100 of their top managers—most of whom come from outside the Birla family—have become millionaires in their own right. Says Mohan Shah, a prominent New York-based textile importer: "The Birlas have shown that their indigenous, non-Harvard-Business-School management style works in their homeland and even abroad."

Today, according to Indian government figures, the Birlas' net assets in India itself exceed $4 billion—but that figure may be way low. There are 200-plus Birla-run companies and in each the Birlas traditionally own between 25% and 45% of the shares.

There are five major interlocking Birla branches today: Bombay-based Aditya Birla, G.D.'s grandson and heir, heads the most powerful group which includes Hindustan Aluminum; Calcutta-based G.P. Birla runs Hindustan Motors, which has long enjoyed a near-monopoly in Indian automobile manufacturing; K.K. Birla owns the prestigious *Hindustan Times* in New Delhi; S.K. Birla recently bought Chloride India; Ashok Birla also Bombay-based, owns steel mills in India, and textile and papermaking enterprises in Thailand, Indonesia Nigeria and East Africa.

The Birlas' growing foreign assets are said to total nearly $1 billion

Like most Marwaris and unlike many Indian industrialists, the Birlas do not lead flamboyant lives. They are strong on family values, are often abstemious, and rarely marry outside the Marwari community. They spend millions of dollars each year on building Hindu temples, often ones where the presiding deity is Lakshmi, the goddess of wealth.

While the various branches of the family operate somewhat independently of one another, the intercorporate ties remain close. Combined FORBES estimates that their net wealth is somewhere between $1 billion and $2 billion—probably closer to $2 billion. —**Pranay Gupte**

Saudi Arabia

SULIMAN SALEH OLAYAN

Disclosure As Lure

He's been called one of the world's best businessmen: Much of this billionaire's net worth is attributable to shrewd investments outside his native Saudi Arabia. The grubstake that became the Olayan Group he got through oil and hard work—and he knew what to do with the results.

He was born in 1918 in the isolated Saudi city of Onaizah (small goat in Arabic). His father, a small-time spice merchant and food importer, died when Olayan was 4, so he grew up with relatives in relatively prosperous Bahrain. At 17 he quit school to work in the fledgling oil industry, eventually ending up with the forerunner of Aramco. He started at the bottom—oil gauger, dispatcher, floorman—and worked up to purchasing agent. In the process he learned English and exhibited a legendary memory. In 1947 he borrowed $4,000 to organize a company that won a contract for part of Aramco's first major trans-Arabia oil pipeline. Bigger contracts followed.

He quickly diversified into other key areas. A joint venture construction company with Bechtel. Then Arabian Commercial Enterprises, eventually one of the biggest insurance companies in the Arab world. And General Trading Co., now the country's largest food importer. Because he lacked a large family to staff key positions, he was forced to hire professional managers, which worked to his advantage. When the price of oil skyrocketed in 1973, Olayan's enterprises were ready to clean up.

Today Olayan invests heavily under the umbrella of the Olayan Investments Company Establishment, a Liechtenstein-registered company based in Athens. An early fancy was banking. He is a majority owner of the Saudi British Bank, a stake worth an estimated $120 million. He is said to own more than 1% of Chase Manhattan ($34 million), the largest holding outside the Rockefeller family, and 1% of J.P. Morgan & Co. ($100 million). He and a Saudi prince share a 7.6% holding, worth more than $130 million, in First Chicago Corp.

Robert A. Wise—The Camp

Suliman Saleh Olayan

His investments go beyond banking. A reported 1 million Mobil shares ($48 million—he once sat on the board). More than 5% of Transamerica Corp., about $170 million. Reportedly 3% of Occidental Petroleum, more than $200 million. A $20 million stake in Thermo Electron Corp.

"I like the American stock market," he says, "because there is a wonderful amount of information here. For someone who wants to research and look for situations, the disclosure is excellent."—**William P. Barrett**

AL RAJHI FAMILY

The Money Changers

Money changing and what we might call nonbank banking have made the Al Rajhi family perhaps Saudi Arabia's richest clan outside the House of Saud. In the central

Saudi town of Bukariyah, the Al Rajhis were once merely money changers—an ancient profession in traditionally bankless Arabia. They might arbitrage the sometimes substantial difference in gold and silver prices between, say, Jidda and Riyadh.

But the oil boom created new opportunities. Foreign workers needed a safe way to remit money abroad. Foreign contractors had to convert riyals into dollars or pounds or francs. Saudi merchants wanted to deposit their burgeoning receipts when they closed their shops at night. The money changers, who charged fees on most of the money they held and handled, rather than paying interest, were there to fill the need.

The largest of the kingdom's two dozen or so money changers, the Al Rajhis skillfully invested overseas—often at double-digit returns—their huge float, which during the good times of the late 1970s and early 1980s often exceeded $4 billion. In a country with no income tax, it's easy to see how all this might create a bit of wealth. Unlike some flamboyant and better-known countrymen, the Al Rajhis live austere lives dictated by superstrict religious observance. So it's easy to see how they might hold on to it, too.

The clan leader is Suliman Abdel-Aziz Al Rajhi, about 58. No known photograph of him exists, reportedly because of his modest nature and a fear of kidnapping. He and three brothers—Salih, Abdullah and Mohammad, with more than 100 children among them—dominate the family's diverse operations. With sizable investments in shipping, real estate and international merchant banking, the four brothers alone—never mind their numerous relatives—are estimated by Arab bankers to be worth well over $2 billion.

The brothers apparently have largely disavowed one of Salih's sons, Abdullah Salih Al Rajhi, who went into precious metals speculation and collapsed spectacularly in 1981, owing $300 million. Only then did foreign banks learn to their distress that the family fortune did not stand behind Abdullah and that not all Al Rajhis are created alike.—**William P. Barrett**

A tough place to keep your first billion

Saudi Arabia's gross domestic product has now fallen further and longer from its peak in 1981 than the U.S.' did in the Great Depression of 1929-32. The oil Arabs are still pretty rich, but there probably would have been a lot more Persian Gulf billionaires in this survey five years ago.

*Projection.

BIN MAHFOUZ FAMILY

What Every Kingdom Needs

Banking was a dirty word in strictly observant Arabia, where the Koran—as Europe's Catholic Church had once done—prohibited the charging of interest on loans.

Summoning up his nerve, Salim Ahmed Bin Mahfouz, a moneychanger from Jidda, went to King Abdul-Aziz Ibn Saud in the early 1950s and asked for permission to become a banker. "The kingdom will not be fully independent until we are independent economically," Bin Mahfouz told the aging monarch. To everybody's surprise, Ibn Saud agreed and told his finance minister to issue the necessary permits.

Salim Ahmed Bin Mahfouz

What resulted was the National Commercial Bank, 52% owned by Bin Mahfouz and 48% by his moneychanging partners, the Kaki family. Astute management and an OPEC decade of generating $150-million-a-year profits have left NCB the kingdom's biggest bank by far (assets, $1[illegible] billion, double the size of its nearest Saudi rival). It is certainly one of the largest banks in the world owned by a partnership, today run by Khalid Bin Salim Bin Mahfouz, about 42, son of the bank's founder.

The NCB has formed the basis for the estimated $1 billion Bin Mahfouz family fortune. Besides their stake in the NCB and real estate holdings in Saudi Arabia, the Bin Mahfouzes have a reported 30% of the Bank of Credit and Commerce International, a Netherlands Antilles-based bank holding company with interests in the U.S. and Europe and 1986 profits of more than $100 million. Khalid last year invested $10 million to start Eastbrook, a New York investment bank

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according to David Mizrahi, editor of *MidEast Report,* and the family has paid $25 million for an 80% interest in Langdon P. Cook, a New York bond house, and made land purchases in Florida. They are thought to have outdistanced their old friends, the Kakis, who besides money-changing activities have invested their 48% of NCB's profits within the kingdom, including a company selling a drink called Kaki Cola.—**William P. Barrett**

JUFFALI FAMILY

The Royal Coolers

In 1946 Ahmad Abdullah Juffali and his brothers Ebrahim and Ali, all proprietors of the newly organized E.A. Juffali & Brothers, won Saudi Arabia's first-ever electrification project from King Abdul-Aziz Ibn Saud. The place: Taif, the mountain town in western Arabia where the royal family had its summer homes. When it opened in 1950, the system had just 125 subscribers and a daytime volume of only 70 kilowatts. But so appealing did those newfangled air conditioners become in the Arabian summers that the Juffalis soon received contracts to electrify the country's larger cities—Jidda, Mecca and Riyadh.

The favor of the grateful royal family assured, the Juffalis soon became the Saudi distributor for Mercedes-Benz, and within a few years the world's largest Mercedes truck dealers. The family also became the exclusive Saudi distributors for over 60 other foreign manufacturers, among them Michelin, IBM and Siemens.

Then came the joint ventures. With Fluor Corp. (on whose board Ahmad sat until recently); with Texas builder Henry C. Beck, building the Riyadh Marriott; with Borg-Warner, making—what else?—air conditioners. All of this expansion has been funded out of profits. "We don't rely on loans from banks," Sheikh Ahmad once snapped.

Robert Azzi/Woodfin Camp

Ahmad Juffali

By all accounts, the Juffali organization has weathered the oil glut. Indeed, during the current oil depression Juffali Brothers is still doing about $1 billion in sales, by far the largest single business in the kingdom. And that doesn't count the sales of their still-thriving (despite wide construction cutbacks) Saudi Cement Co. The royal favor seems intact.

With Ebrahim retired for more than a decade, Ahmad, 63, is the managing director of the family business. In the past decade he has emphasized a policy of investing away from the Persian Gulf. The family's major arm in the U.S. is New York-based Enpro International, which has known interests in Boston real estate and some small manufacturing companies. Altogether, the family fortune, according to *MidEast Report,* a respected New York-based newsletter, is more than $1 billion.—**William P. Barrett**

ALIREZA FAMILY

The Arab Rothschilds

In the West there were the Rothschilds—a son in this country, a brother there, a cousin elsewhere. In Araby, there is the Alireza family, generations of traders with distinct family branches in Saudi Arabia, Kuwait and Bahrain. Descended from an Iranian named Xenel, the Alirezas immigrated to Jidda and formed alliances through marriages with other merchant families. In 1925 they financed a militarily victorious but impoverished Abdul-Aziz Ibn Saud, the desert conqueror who seized Saudi Arabia from, among others, the family of Jordan's future King Hussein. When the oil came, the Alirezas held some of the early foreign distributorships in Saudi Arabia: Ford, ITT, Mobil, PepsiCo.

The acknowledged leader of the family today is Ahmed Alireza, in his late 60s, a grandson of Xenel and the chief executive of the principal family trading company, Haji Abdullah Alireza & Co. Ltd., or Haaco.

The Rezayat Group, which reportedly is a major investor in the U.S. (small companies and Texas real estate) through New York-based Rezayat America Inc., is run by another branch of the family including Abdul-

Teymour and Abdullah Alireza

lah Alireza, about 65, a grandnephew of Xenel, and Abdullah's son Teymour, about 42.

A third branch, headed by Hussein Alireza, about 50, chief executive of Haji Hussein Alireza & Co. of Jidda, are Mazda agents in the kingdom. In recent years combined sales of the family businesses, including a host of service, construction and finance companies, have exceeded $1 billion annually, and their collective net worth is estimated at about the same. The clan has suffered its losses—there are hustling competitors all around the economically deflated Persian Gulf—but the widely diversified Alirezas as a whole continue to prosper.—**William P. Barrett**

Kuwait

AL-GHANIM FAMILY

Kerosene To Cadillacs

Even before World War II Kuwait's Al-Ghanim clan—the Rockefellers of the Gulf, they've been called—had 6,000 employees, the largest employer in the Persian Gulf. They sold kerosene because the big oil companies didn't want to bother with the Gulf Arabs, and later quarried gravel for cement, anticipating a boom in heavy construction.

The family is now headed by 80-year-old Yusuf Ahmed Al-Ghanim and one of his sons, Kutayba, in his late 40s. What put them on the billionaire path was General Motors. The family obtained the General Motors distributorship in Kuwait in the late 1940s. During the peak years of the oil boom, 1978-82, Yusuf Ahmed Al-Ghanim & Sons (YAAS)—which by that time included many other agencies—had estimated annual sales of $400 million, and possibly the highest profit margin of any GM dis

Yusuf Ahmed Al-Ghanim

tributorship in the world.

When the oil bubble burst, auto sales dropped, to less than $100 million last year, but Al-Ghanim Industries, the main family holding company, is also in shipping, electronics and food-importing in Kuwait, where the consumer economy is still fairly fat. Even more important, under the leadership of the son Kutayba, who has a business degree from the University of California at Berkeley, the family has more than recouped its Persian Gulf losses through investing heavily in the U.S.

The principal investment vehicle is AI (for Al-Ghanim Industries) International Corp. of New York, which, for instance, sold off AI Automotive Corp., an auto parts company, in 1985 for a reported $250 million. The family has a formidable portfolio of other U.S. investments—construction supply companies, real estate in New York City, San Francisco, the Washington, D.C. area and the like—but never reveals figures. "We kind of like being private," understates Matthew Snyder, the president of AI International. However, several knowledgeable Persian Gulf bankers put the family's net worth in the $1 billion class.—**William P. Barrett**

Lebanon

RAFIK BAHAUDDIN HARIRI

Such Good Friends

One sure way of making the billionaire club is to become a favorite of the Saudi royal family. It always seems to work. Take Rafik Bahauddin Hariri. Twenty years ago he was teaching arithmetic; this year he bought a 26-room, 24,000-square-foot mansion on 16 acres in Washington, D.C., for $13 million. And he also owns 80% of Houston's 75-story Texas Commerce Tower, the tallest building west of the Mississippi. He's a favorite of the Saudi royal family.

Hariri, the son of a poor Lebanese merchant, left for Saudi Arabia in 1965 to teach arithmetic, switched to accounting and then discovered the construction business. He formed his own company, and hit the big time in 1976 with the contract to complete the Inter-Continental Hotel in Taif, the Saudi summer capital. He finished on time and under budget, to the delighted astonishment of the Saudis, and became a 40% partner in Saudi-Oger, the main contractor.

Hariri solidified his position in 1981 by completing Sunrise City, a large government project in the Eastern Province, for half the $900 million bid by other contractors. Along the way he became Saudi-Oger's sole owner. From 1980 to 1984 he averaged $2 billion a year in Saudi construction projects.

AP/Wide World

Rafik Bahauddin Hariri

Today Hariri, about 42 years old, operates an international construction and financial empire that stretches into Lebanon, France, West Germany, Switzerland and the U.S. His main European holding company is Luxembourg-based Mediterranean Investors Group. Hariri also has majority ownership of Beirut's Saudi-Lebanese Bank, Paris' Al Saudi Banque and interests in other European and Arab banks. Bankers who know him well put his net worth at $1 billion to $2 billion.

He also has spent hundreds of millions of dollars in shattered Lebanon, projects like a hospital near Sidon and scholarship loan programs to help thousands of Lebanese youths to study abroad. He quotes his mother: "He who knows how to take and give back will share the world's riches." Just as will those who know how to become good friends with the Saudi royal family.—**William P. Barrett**

THE SAFRA BROTHERS

One Sure Thing After Another

In Arabic *safra* means yellow, the color of gold. It's an appropriate surname for the Middle East-born Safra brothers—Edmond, Joseph and Moises—who have amassed one of the world's largest private banking empires.

Jews from a banking family of Aleppo, Syria, the brothers, led by father Yacoub Safra, grew up in Lebanon, but the family fled to Brazil during the 1950s because of anti-Semitism.

After opening a small loan shop in São Paulo's central square, the Safras quickly moved into gold trading. Their move into banking came in the early 1960s, when they bought a two-branch commercial bank, Banco de Santos, and renamed it Banco Safra.

The bank, nearly 100% owned by the family, was a huge success. It is now one of the most profitable in Brazil. Run by Joseph, 48, and Moises, about 52 (Yacoub died in 1963), it is the center of a South American financial net that includes an investment bank, a consumer credit company, an insurance firm, a leasing company and a mortgage bank.

Edmond in 1965 relocated to Geneva, where he started the Trade Development Bank, funded largely with the trust and deposits of fellow Jewish refugees. He sold it in 1984 to American Express for $550 million in stock, making him the company's largest shareholder, before their much-publicized bitter parting of the ways.

In 1966 he also founded the Republic National Bank of New York, using careful targeting of markets and big gifts to lure deposits. He quickly built the bank into the U.S.' 18th largest. "If there are 35 things a commercial bank can do and only 5 make money, I will do those 5 and leave the other 30 to Citibank and NatWest," he explained once.

The family is intensely secretive, and management of its businesses closely held, so it is not clear how the ownership is divided among Edmond, Joseph and Moises. In the opinion of observers, Edmond is the richest, followed by Joseph. What is clear is that the family wealth exceeds $1.5 billion.—**William P. Barrett**

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REINHARD MOHN

The Alfred P. Sloan Of Publishing

Reinhard Mohn may owe much of his success to having been a prisoner of war during World War II: Captured by the Americans, he was shipped to a prison camp in Concordia, Kans. There, filling the empty hours, he read about General Motors' great Alfred P. Sloan and his philosophy of decentralization with strict controls.

Returning to his native Gütersloh after the war, he found the family publishing business, Bertelsmann, in a shambles—printing presses destroyed, his two brothers missing. Mohn gave up an engineering career to resurrect the small publisher of religious books. Strapped for capital, the 25-year-old engaged in barter: Using what presses he could get working, he printed labels for a local distiller in return for whiskey. He then traded the whiskey for bricks, to rebuild.

Sloan's ideas stuck in his mind. Mohn renounced traditional, hierarchical German management for a more decentralized approach, a strategy designed to allow each operating group to retain entrepreneurial aggressiveness. Mohn prospered by staying focused on publishing, aside from brief forays into chicken farms and a chain of cinemas in the 1960s.

In the early 1950s, picking up on a hot trend in the U.S., he pioneered book clubs in Germany. Bertelsmann's book and record clubs now have some 16 million members in 1 countries. In the late 1960s Mohn er tered the magazine business by buy ing a stake in Gruner & Jahr, publish er of *Stern,* which in 1984 printed th fictitious Hitler diaries, and of *De Spiegel,* generally recognized as Ge many's most influential magazine.

dpa

Reinhard Mohn

By the mid-1980s Mohn had bui Bertelsmann into the world's riche publishing house, with $5.1 billio sales (1986-87), a media giant i books, music, magazines and TV.

Still based in Gütersloh, a city 80,000 in northern Germany, whe the company began as a printer hymnals 152 years ago, Bertelsman is now global. Last year it reached int the U.S. and bought the venerabl Doubleday publishing house for $47 million. Only two weeks earlier, i late September, it paid $330 millio for RCA Records. It is on the prowl f more U.S. firms.

Mohn, now 67, retired as managin board chairman in 1981 but still has hand in major business plans. He an his family own 90% of the compan estimated by German analysts to b worth roughly $2.5 billion. But, give the prices media companies fetc these days, that figure may be qui low.—**Edward Giltenan**

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VON OPPENHEIM FAMILY

Bankrolling Germany

In almost 200 years of banking in Cologne, the Oppenheim family has received Germany's highest accolades. In one generation, Simon and Abraham were made barons. In another, great-grandsons Waldemar and Friedrich Carl were arrested in 1944 as suspects in the assassination attempt on Hitler.

The family-owned bank, Sal. Oppenheim jr. & Cie., has been a significant part of the history of Germany. Founded in 1789 by Salomon Oppenheim Jr., then 17, it combined moneylending and discounting with the trading of wine, tobacco and linens, as did many banks of that era. Over 30 years, it became the second-largest bank in Cologne, and Salomon became the first Jew elected to the city's Chamber of Commerce.

His sons, Simon and Abraham, helped change the face of German industry in the 19th century by pioneering German joint-stock companies. The Oppenheim brothers financed the great railroads of Germany, the Austro-Hungarian Empire and Russia. They helped make Cologne the center of the German reinsurance industry. In 1868 they became the first Jews in Prussia to be named barons.

Simon's sons converted to Christianity. So, in the time of the Third Reich, Waldemar and Friedrich Carl were officially quarter-Jews; that was enough, with their position and stature, to spare their lives but not enough to shelter them from eventual suspicion and arrest. As another insult, in 1938 the Nazis forced the bank to be renamed Pferdmenges & Co., after a partner who joined in 1931, and the bank retained that name until 1947.

At any rate, the family outlasted the Nazis and was pivotal in rebuilding the country. After the war Waldemar repeatedly visited the U.S. to get loans for German industry. Robert Pferdmenges became a member of Parliament and was a close friend of Konrad Adenauer, Germany's first postwar chancellor. Such contacts helped the bank immeasurably.

Photos by Wolfgang Prang

Alfred and Manfred von Oppenheim

Today Alfred von Oppenheim, 53, and his cousin Manfred, 63, represent the sixth generation of the family to own and operate the bank. The Oppenheims' other holdings by now are vast: insurance companies, other banks and commercial real estate in Frankfurt and Cologne. The family's net worth may be as high as $2.5 billion, according to European Securities Corp.—**Edward Giltenan**

HENKEL FAMILY

"Sold With Enthusiasm"

Dr. Konrad Henkel, a third generation manager, has been chairman of Henkel KGAA since 1961. He is one of 67 family members—all descended from a Hessian merchant. Together they own nearly 100% of their giant consumer goods producer (1986 sales, $4 billion), giving them a fortune worth some $3 billion. It is built not on heavy industry or banking, like many European fortunes, but on shrewd packaging and marketing.

Founder Fritz Henkel in 1876 saw a market for bleach in standard-size packages, whereas previously it had sold only in bulk. He began selling Henkel's Bleich-Soda in packages and built a plant to make his own raw chemicals. In 1907 Fritz's son developed the first detergent—Persil—that eliminated the two-step washing process of bleaching and then laboriously scrubbing clothes.

Persil was a heavily advertised miracle powder with a money-back guarantee they scrupulously honored. And soon they had "millionen Hausfrauen" loyally buying the stuff.

"We have gone a step further," Fritz Sr. boasted in 1910. "We have found that just distributing the product is not enough and that you cannot be satisfied just having it available in a store. Rather it must be sold with enthusiasm." Selling with enthusiasm—a very American-sounding phrase but in this case invented in Germany. Europe was thus offered one of its first experiences with what is now a familiar U.S. phenomenon: a marketing company founded on brand-name detergents.

Henkel grew rapidly, introducing other cleansers as it went. It found itself in another good business when it had to manufacture adhesives for packaging because its traditional supply was cut off by French occupation of the Ruhr in the 1920s.

dpa

Konrad Henkel

In World War II Henkel lost virtually all its international assets. Rebuilding postwar meant battling for market share with the U.S.' Procter & Gamble and Britain's Unilever. Henkel proved equal to the task, perhaps not surprising given its long tradition of smart consumer marketing. Later the company expanded anew internationally. Still best known for its detergents, Henkel's products now range from vitamin E to specialty chemicals used for drilling. It is also the largest manufacturer of adhesives in Europe. In 1977 it bought General Mills Chemical Inc. in the U.S., which now accounts for about 10% of its sales, and it has operations in 45 other countries.—**Christie Brown**

RUDOLF AUGUST OETKER AND FAMILY

Just A General Store

Rudolf Oetker's grandfather was running a modest Bielefeld pharmacy in 1891 when he had a brainstorm, perhaps inspired by the Henkels: Package baking powder in retail quantities and sell it to housewives along with a free set of recipes. Dr. Oetker soon gave up the pharmacy to make baking powder full time.

Later came powdered pudding and sauces, vanillin, sugar, food starches. But it wasn't until grandson Rudolf took charge in 1944 that the business began to grow into the conglomerate it is today, with shipping, brewing, banking and insurance operations. Rudolf, now 71 and retired, fondly calls it "the general store."

Mighty big store. The Oetker Group, including Dr. August Oetker, the biggest food company in West Germany, had sales last year of $1.6 billion, not including brewing, banking and insurance. A Baring Securities

Rudolf Oetker

analyst puts the family's total net worth at $2 billion.

Rudolf grew up in Bielefeld, where the company is still headquartered, and apprenticed as a banker while the family business was held in trust by his stepfather (his real father died in World War I, six months before Oetker's birth in 1916). In 1944, at 28, Oetker took over when his stepfather, mother and two half-sisters were killed in a bombing raid.

After the war, Oetker began to diversify. Along with other opportunity-seeking financiers, he took advantage of generous shipbuilding tax exemptions designed to help rebuild that war-demolished industry. By the late 1950s West Germany was the world's second-largest shipbuilder behind Japan, and Oetker had amassed a magnificent commercial fleet.

Today the Oetker holdings number about 70 companies, including the Hermann Lampe bank. All this is managed by five general partners, including Oetker's oldest son, August, 44, who heads the food business. Second son Christian, 42, will one day become chief of finance. And Richard, 40, is also preparing for the family business; he was the victim of a spectacular kidnapping in 1976 that cost a 21 million DM ransom.

To prevent family squabbles, Oetker in 1973 made seven of his eight children (he was married three times) sign renunciations of inheritance in exchange for assets totaling 53 million DM. Son August gets the rest and keeps the patrimony intact. The company remains private.

In retirement Rudolf plays tennis, collects art, visits his homes in Southampton, N.Y. and Argentina or his luxurious hotels in Paris and on the Côte d'Azur.—**Edward Giltenan**

ERIVAN HAUB

Great Atlantic And Deutschland?

Erivan Haub at 55 is the sole owner of the Tengelmann Group (1985 sales, 3.5 billion DM), the largest supermarket chain in Germany and a major and growing force in the U.S. He resides in Mülheim and has an estimated net worth of $1.3 billion.

The company, founded in 1876 in Mülheim by Wilhelm Schmitz-Scholl, started as a wholesale coffee, tea and cocoa business. His sons expanded. They opened a chain of stores, named after a friend, Emil Tengelmann, to feature their coffee. The stores also stocked candies. Gummy Bears were born—and still flourish. Further product diversification came during World War I, when the Allied blockade cut off supplies. Wine, canned foods and meats were added. After the Second World War, the next generation built modern, self-service markets named Grosso.

Erivan Haub took over in 1969, upon the death of his uncle, the last of the Schmitz-Scholls in management.

Trained in the U.S. at two supermarket chains—Jewel Tea in Chicago and Alpha Beta in La Habra, Calif.—and in a German bank, Erivan pioneered U.S.-style food retailing in Germany. In 1971 he acquired a big rival chain which doubled the number of stores. The following year he opened a chain of discount markets called Plus, also successful.

Like many ambitious world marketing people, Erivan Haub could not resist the biggest market of all. In 1980 he bought 52% of the U.S.' ailing A&P. Lately that famous old name—the first supermarket chain of all—has begun to turn around. Haub's holding in it is already worth some $800 million.—**Christie Brown**

Erivan Haub

THE BRENNINKMEYER/ BRENNINKMEIJER FAMILY

Most Secretive Billionaires Of All

This Dutch/German clan, with its hundreds of direct members, is best known for being unknown. Secrecy is the trademark for C&A Brenninkmeyer, one of the largest clothing retailers in the world. The company has expanded to include stores throughout Europe, the U.S. and South America, yet it remains entirely within family hands. Reportedly 50 of the Brenninkmeyer elite meet four times a year in a quiet room above a narrow street in Amsterdam to discuss the state of their family's affairs. However, few Dutchmen even know they are there.

The business began in 1841 when Clemens and August Brenninkmeyer opened a dry goods store in Sneek, a Dutch hamlet across the German border from their hometown. Today the company is still Dutch-based, held through the Dutch holding company Intercena. Although the actual size of the Brenninkmeyer holdings is unknown, the family's 144 stores in West Germany alone (where company filing requirements are much stricter) have annual sales of about $3.5 billion. Rosemary Sagar, an analyst who covers German companies, estimates the market value of the Brenninkmeyers' German holdings, including real estate, at close to $3 billion. But this is just one piece of the family fortune. They own the largest clothing outlet in Holland; they own stores in Britain, Spain and Brazil; and in the U.S. they have more than 400 stores. The primary marketing strategy is fashionable but low-priced clothing in low-overhead stores. However, they have not always been successful. In 1961 Brenninkmeyer's broke into the U.S. by acquiring Ohrbach's, then famous for quick copies of Paris fashions and frequented by the likes of the Kennedys. Brenninkmeyer's discontinued the European lines, and the store's market share fell into disarray. Last February Ohrbach's on 34th Street in New York closed to make way for more profitable office space. The other five Ohrbach's are being

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converted to Steinbach stores, a chain the family acquired last year.

In true tribal fashion, those Brenninkmeyers not sent away to run stores abroad are believed to live together on a multi-villa estate in Germany. Members of the family eat, travel and study together. Sons are all expected to join the company. Daughters may be another story; the family, devout Roman Catholics, has been accused both of religious bigotry and of discriminating against women. And the secrecy? "The family is perpetually afraid of kidnappings," adds a source who studied with two Brenninkmeyer daughters at Boston University. "They not only lived together the entire four years, they came under assumed last names." Predictably, the Brenninkmeyers' response to FORBES: "No comment."—**Patrice Duggan**

PRINCE JOHANNES VON THURN UND TAXIS

The Mail Went Through

Some might think it a fairy tale existence: Prince Johannes has real estate holdings throughout Germany, Canada, the U.S. and Brazil variously valued at $1.5 billion to $2.5 billion. His own brewery, his own bank, eight small electronics companies, nine castles. At 61, he has a 27-year-old wife and three young children by her, and three decades of jet-set living behind him.

The family saga opens with a 12th-century Italian highwayman whose descendants became respectable. In 1505 Francesco di Tassis began the first postal service, from Vienna to Brussels. He acquired land and changed his name to von Thurn und Taxis. Successful, he soon got the Pope's blessing and the mail business of the Holy Roman Empire. In 1695 the family received the hereditary title of prince. As time passed, they had boats sailing mail to America and owned the largest postal service in Europe. But in the 19th century the service was taken over by the kingdom of Prussia, in exchange for huge land holdings.

Throughout four centuries the Thurn und Taxis wealth has remained largely intact, thanks to primogeniture. Upon the death of his grandfather in 1952, Prince Johannes, then 23, became the legal owner of the family holdings, with actual control vested in an uncle and later in his own father. In 1982 Johannes finally took control upon the death of his father, Karl August.

With others minding the store, the prince, nicknamed Taxiboy, remained a playboy of international standing until his marriage to the motorcycle-riding Princess Gloria in 1980. Now he has settled down and supervises the businesses, even if he does not actually run them. The couple lives sumptuously at his palace in Regensburg, where he maintains a museum and business headquarters.

As befits the possessor of a four-hundred-year-old fortune, the prince is very self-confident. He once told this story to journalist Peter Dragadze: As a small boy, at the dawn of the Hitler era, he attended a public school where his princely dress made him a target for the other boys. Taunted mercilessly, he tangled with the biggest bully. As he tells it: "Suddenly I saw a pair of black boots next to me. It was a Nazi official, who said, 'A German boy does not hit another German boy.' 'My good man,' I replied, 'a German boy does not laugh at a German prince.' The Nazi heels instantly clicked together. I knew I had won the day." Such hauteur survives wars and revolutions.—**Christie Brown**

Action Press

Johannes von Thurn und Taxis

WILHELM VON FINCK AUGUST VON FINCK JR.

Farmers First

The von Finck family's first love is 10,000 acres of mostly undeveloped land in and around Munich. But there is much more to the empire: Bank Merck, Finck & Co., a private bank (1985 volume, 3.5 billion DM), 90% ownership of the famous Löwenbräu brewery, huge holdings in insurance, construction and food companies. Together they total an estimated $2.5 billion.

Archiv/dpa Pabel

August and Wilhelm von Finck

The family fortune began with Wil helm von Finck, a legendary entrepre neur of the 19th century. In 1870 h left his native Hesse for Munich an at age 21 helped start a bank. By 189 Wilhelm had bought out the limite partners of the bank: "Limited par ners only cost money; I can't affor that." He went on to found the tw largest insurance companies in Ge many, Allianz Insurance and Munic Reinsurance.

After his death in 1924, his son Au gust and his two daughters becam partners in the Bank Merck, Finck August, a banker more acceptable t the Nazis than the Rothschilds, too over the Rothschild Bank in Vienna i 1938 after the Anschluss. For his Naz past August Finck was stripped of hi directorships at both insurance com panies, and the family bank was pu under a trustee. But money will tel In 1951 Finck again took control c his bank, while concentrating on in creasing the family landholding then only 5,000 acres. Even his pass port gave his profession as farme then banker.

By his first wife August had tw sons, Wilhelm and August Jr., wh were raised to run the family bus ness. In 1973 the father turned ove the family assets to his sons to beat drastic increase in gift tax. August Jr now 57, lives with his wife and fou children in Munich. Wilhelm, thre years older, moved to Düsseldorf t manage a branch of the bank. Afte the death of their father in 1980, Au gust Jr. became the spokesman for th company.

As befits a banking image, the vo Fincks keep a low profile and unos tentatious lifestyle—August Sr. rode chauffeur-driven VW to work—an today stay well out of the limeligh Whether the von Fincks are the sec ond-richest family in Germany be hind the Flicks, or the Mohns are, is fine point.—**Christie Brown**

WERHAHN FAMILY

Peekaboo

Secrecy must be an asset: The Werhahn family of Neuss is among the richest in West Germany. Heribert Werhahn, 63, and his clan do not talk to the press, and very little has ever been revealed about their personal history. But it's impossible to conceal their vast holdings. Privately held Wilhelm Werhahn AG has some 70 companies under its umbrella: breweries, a bank, insurance companies and a regional retailing chain. The family's public holdings include 7% of RWE, one of West Germany's largest electric utilities; 10% of the Hoesch steel firm; and about half of Strabag Bau AG, a construction company. On the basis of estimates from European Securities Corp., the Werhahns are worth a minimum of $1.8 billion.

Bilderdienst Suddeutscher Verlag

Virtually all the fortunes of West Germany's billionaires had to be rebuilt from the ashes of World War II. Above, Munich, where the von Fincks own substantial real estate and banking interests, in 1946.

QUANDT FAMILY

Buy a BMW

After time out to build engines for Hitler's Luftwaffe bombers, BMW tried to regain its stature as Germany's premier maker of sports cars and also to crank out a cheap "bubble car" for volume. But German motorists couldn't afford the sports car and wouldn't buy the bubble. In 1959 creditor banks considered selling BMW to rival Daimler-Benz, a company in which the Quandt family then had sizable holdings.

But the Quandts had other plans. Herbert and his half-brother Harald bought 13% each of BMW, gained control and called for a midrange car. In 1961 the BMW 1500 appeared, and the public loved it. The Quandts' original investment was probably under $1 million. Today their 66% is worth at least $2.2 billion.

The Quandts are an old industrial family. Gunther Quandt, born in 1881, inherited a small textile business and expanded into potash, mining, batteries, armaments and insurance. After World War II Gunther revived his empire in spite of huge war losses and the shadow of a Nazi past. He died in 1954, leaving his sons a sizable fortune.

Stern — Paul Swiridoff/Stern

Herbert and Harald Quandt

The unassuming Herbert, forced out of school by eye trouble at age 10 but given a thorough business training by his father, was devoted to BMW. He poured money in despite Harald's objections and put BMW on the road to its current success by ordering high-performance, quality automobiles.

Harald, 11 years the younger and born of Gunther's second wife (who later married Joseph Goebbels), died in a 1967 plane crash. His estate sold its BMW holdings to Herbert.

Herbert died in 1982. His third wife, Johanna Quandt, 62, is deputy chairman of BMW's supervisory board; his lawyer, Hans Graf von der Goltz, is chairman. From time to time speculation arises that the Quandts are ready to sell, but last year BMW had a rights issue and the Quandt family took up its full share.

Herbert's heirs also hold half of Altana, a food and drug firm; half of CEAG, an auto parts company; and 60% of Varta, a battery maker. Total worth is about $520 million, according to Baring Securities in New York. Herbert's entire fortune is divided among Johanna and four daughters and two sons from all three marriages. Harald's money, mostly in real estate and industrial firms, is divided among his five daughters.—**Edward Giltenan**

KARL FRIEDRICH FLICK

Friends In High Places

Karl Flick, known to his friends as K.F., was catapulted out of the privacy that he loves in 1981 and dubbed the "paymaster of the Republic" when it was discovered his representatives had made big contributions to politicians in virtually every German political party in the hope of tax abatements. The notorious Flick Af-

dpa

Karl Friedrich Flick

fair resulted in the resignation of the Economics Minister and the chairman of Dresdner Bank, and a $300,000 fine for Flick's general manager. All three were convicted of tax evasion.

Good political connections helped establish the Flick fortune—and have kept its possessors in frequent hot water. The holding company Friedrich Flick KG was founded in 1934 by K.F.'s father, Friedrich, who grew up on a farm near Cologne. He moved up rapidly at a local steel company and in 1915, at 32, started investing in coal, steel and armament stocks. In 1923 Friedrich moved to Berlin, struck up a friendship with Hitler and hit the fast track in the Thirties as a savvy investor with grateful friends in high places. He later explained: "I was of the opinion necessarily that political insurance would not do me any harm." Not quite true: Convicted of economic crimes at Nuremberg, he spent seven years in jail.

After jail the Allies offered Friedrich a choice: keep his coal interests, or steel, but not both. Friedrich amazed everyone by opting for steel. This looked foolish at the time, since war-ravaged Europe was hungry for coal, but Flick saw the handwriting on the wall: Cheaper oil would take markets away from coal. Money from his coal properties he invested in cars, paper, chemicals. Friedrich craftily bought up 39% of Daimler-Benz between 1952 and 1958; it subsequently went up over 2,000 times.

Friedrich's eldest son relinquished all family rights after a court fight and a lump-sum payment; his second son had died on the Russian front. So K.F., the youngest, inherited most of the Flick empire in 1972, later buying out two nephews and a niece.

In 1986, amid the turmoil of the political scandal, Friedrich Flick, then 59, suddenly sold everything to Deutsche Bank for about $3.5 billion. He now lives quietly with his two daughters outside Munich.—**Christie Brown**

GRETE SCHICKEDANZ

Queen Of Mail Order

Grete Schickedanz, 75 and chic, blonde, energetic and physically tiny, has become a famous personality in Germany. She owns Quelle, the largest mail-order catalog business in Europe, with 1986 sales of 8.6 billion DM and worth an estimated $800 million. In addition she shares ownership of the Schickedanz Group with her

Grete Schickedanz

stepdaughter Louise Dedi and her daughter Madeleine Bühler. This holding company has a paper company, real estate and investments estimated at $1.5 billion.

Quelle, meaning source, was started in 1927 by Grete's husband, Gustav Schickedanz, then 32 years old, who after traveling through eastern Germany, realized it was difficult for country people to buy simple household goods. Much of Germany was primarily farmland, without today's autobahns, and buying trips into the nearest town could be difficult. Gustav returned to the farmlands laden with sheets, yarn, pots and brooms to sell from the back of his truck, and soon changed to catalog selling. His Teutonic Sears, Roebuck was an instant success.

World War II wiped the business out. Factories were destroyed, and there were no goods to be had, even for a Nazi in good standing like Gustav.

In 1945 Grete opened a small general goods store and started the mail-order business again from scratch. Gustav lived until 1977 but stayed in the background, at first because of his Nazi past.

Quelle currently mails 16 million catalogs twice a year, featuring 45,000 items from garden supplies to high fashion. The Schickedanz stores have expanded to 30 department stores and 150 electronics outlets.

Grete resigned as president of Quelle in February. Very social, a sports addict, she is now frequently to be seen at the fashion shows in Milan and Paris.—**Christie Brown**

United Kingdom

GERALD CAVENDISH GROSVENOR

Not A Bad Snipe Bog

This Duke of Westminster, now 3[illegible] years old, with two daughters, i[illegible] married to a descendant of Czar Nicholas I through her Romanoff grandmother. The duke has controlled one of the world's largest property empires since 1979, when he was 27. As the sixth Duke of Westminster, he i[illegible] the wealthiest landowner in Britain save the Queen.

The Grosvenors have long been a fixture of Britain's aristocracy. The family's estate was once a snipe bog received by Sir Thomas Grosvenor when he married the 12-year-old daughter of a scrivener in 1677. Today it includes 300 valuable acres in London's West End, including Belgravia and Mayfair, the fashionable neighborhoods near Hyde Park, Buckingham Palace and Victoria Station.

Shrewd management and long leases renegotiable every three, five or seven years have kept the Grosvenor afloat while other noble British families have been forced to sell property.

Gerald Grosvenor has been called "the most businesslike duke in a century." And a good thing for the family. A socialist Parliament in 1967 passed a Leasehold Reform Act, allowing tenants to force the sale of underlying land to them at less-than-market prices. As a result, the family lost reported 10% of its residential holdings, but the present duke has preserved the rest.

He has also diversified the family's interests overseas. The duke heads a group of international property inves

Allen Warren/Camera Pr

Lord Grosvenor

The difference between a shattered windshield and a shattered life.

November 17, 1986, the car in which a Meyer was riding was in an accident. e 150,000 other victims each year, her d hit and shattered the windshield.

But unlike many of the others, Tara suffered no facial cuts or lacerations.

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A new idea developed by a group of Du Pont engineers. They believed that a thin layer of plastic along the inside of the windshield would keep the razor-sharp, shattered glass on the outside—away from the occupants.

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To restructure or not to restructure. That isn't the question.

"Virtually every CEO we talk to today is weighing the potential benefits of some form of restructuring."

Fred Eckert, Peter Sacerdote and Gordon McMahon, partners at Goldman Sachs, discuss the significance of corporate restructuring in today's environment.

"And nine out of ten times these executives are not reacting to takeover pressures or other fears. Instead, they're proactive—looking for ways to concentrate their company's energies and resources, improve efficiency, be more cost competitive and increase corporate value.

"There are as many reasons to restructure as there are companies. Inflation turns to disinflation. An oil shortage turns into an oil glut. Technologies emerge overnight. Whole markets change or disappear.

"Often it's more a refocusing than a restructuring. Concentrating the company's energies and resources back on the core business and shedding some businesses that don't fit their corporate needs or management focus these days.

At Goldman Sachs, Fred Eckert, Peter Sacerdote and Gordon McMahon discuss corporate restructuring.

"Managements today are more sophisticated than ever about shifts in the economy and markets. And they know their company's situation and corporate goals. What they want is someone who can lay out options, help develop a strategy and execute it successfully.

"It's important to show not just what's possible but what's optimal."

"Any CEO knows he can make a quality decision —*given* quality advice. So when a CEO looks for options, he is looking for *all* the options. That calls for knowledge, accuracy and objectivity above all.

"The last thing you need when you're trying to optimize your position is an advisor trying to sell you on his 'specia or 'the latest thing' restructurings.

"That's why it's portant for an investm bank to offer: Strength ac the board. Depth in ev area. Quality at every le And experience—day-in-c out experience—in every pect of restructuring.

"The list of sk needed keeps growi Mergers and acquisitic Corporate finance. Le aged buyouts. Securities search. Capital raising in mar both public and private at h and around the world. Real est Pension services. Curre exchange.

"And any one of them prove crucial to making the r decision in a restructuring. T why it's important to provide client with a team of experts have access to others in all the o disciplines. As well as access t organization that's doing busi day-to-day around the world.

"This broad-gauge, c discipline approach to thinkin very important when creating strategy. Because every idea bring added value. And it's th sponsibility of an investm banker to show a client not what's possible, but what's opti

"A full range of capabilities ɔ gives you a distinct advantage finding the optimum value for h corporate asset.

"Suppose you want to raise value of a division through an ity offering. And suppose your ering will be more attractive to estors overseas than in the U.S. important to have an investnt bank that recognizes that fact d enables you to realize that ater value by tapping capital rkets around the world.

"Or take the recent case of a nt who was able to turn an atross into a workhorse. The nt owned a 100-year-old mancturing company that was in a gnant industry. There were no ers for this nowth company. at is, until they nanced and reuctured the npany, issued ck and spun it into a freeding company. ned by whom? The one buyer st interested in the company. Its ployees.

"So finding the greatest e in each division, business, ding, investment or other asset rucial to building a strong recturing strategy. And the dth of an investment bank's capabilities is an important factor in achieving those values.

"And precise execution is as important as precise strategy.

"Absolutely. Negotiating from the strongest position. Raising capital at the lowest cost. Keeping track of a million-and-one details. These are qualities that can make or break a restructuring.

"Precise execution is as important as precise strategy."

"Throughout the restructuring process a client should feel that he's not missing any possible opportunity to benefit his company. That all the technical work is being done thoroughly. That the best people are looking after the client's best interests.

"Every idea from a team can bring added value."

"In short, you want to feel comfortable with your investment bank.

"That feeling of comfort can pay dividends. Consider the case of a client whose real estate we recently helped liquidate. There was an offer on the table which met the client's objectives. Yet we felt a better price could and should be obtained. And though it took six months of additional work, that client was able to realize a significantly higher sale price.

"When a CEO or CFO *knows* everything is being thought through and carefully executed every step of the way, things simply run more smoothly. Negotiations are clear-cut. Misunderstandings with other companies or their representatives are kept to a minimum. Decisions are arrived at more easily and swiftly.

"Among other things it can leave a client with more time to devote to the running of his business.

"True. Because when all's said and done, a restructuring isn't an end in itself. It's a beginning."

Goldman Sachs

tors that includes pension fund partners like Rolls-Royce and the BBC. The group, which Gerald calls "a comforting insurance policy," reported assets last year of $1.9 billion, with $500 million of it the Grosvenors'. The properties include a 190,000-square-foot office building within walking distance of the White House, a 16-acre waterfront resort in Maui and shopping centers and office complexes in British Columbia, Australia and the U.S. Combining the British and foreign properties, the Westminster properties add up to about $3 billion in assets.

Yet, however much the duke diversifies away from Parliament's grasp, he is a loyalist: He still resides at Eaton Hall in Chester, where the first English Gros Veneur was established by William the Conqueror in the 11th century.—**Kathleen Healy**

SAMUEL, LORD VESTEY AND EDMUND VESTEY

Out, Out, Damned Tax

Here is one of the largest, most secretive and peculiar family empires in the world—second to the German Brenninkmeyers. Its roots: A Victorian provisioner's son, William Vestey, discovered that the slaughterhouses of Chicago were discarding bruised, unsellable cuts of beef. He and brother Edmund made a fortune buying the stuff cheap, canning it and thus making cheap protein available to the malnourished English working class. A second fortune grew from cold storage warehouses, fresh meat, poultry and eggs. Then came huge refrigeration plants in Czarist Russia, where meat was cheap, and in China, where eggs were cheaper; refrigerator ships; cold storage and retail shops all over England. The Vesteys became rich, and England better fed.

Then, post-World War I, U.S. meatpackers intruded while heavy postwar taxation made capital accumulation almost impossible.

Outraged by near-confiscatory taxes, the Vesteys quietly moved wealth out of England in 1915. In 1967 a socialist uproar arose from the discovery that the Vesteys were living the life of aristocracy but not paying British tax—and had paid little for over 50 years. An attempt at punitive taxation was beaten back 12 years later in the House of Lords.

Today the Vesteys own some 200 subsidiary companies in over 20

The Vestey brothers

countries: slaughterhouses; cold stores; refrigerator ships that carry meat from Australia, New Zealand and Latin America to Europe and North America; and an insurance company to cover the risks. They operate the largest chain of retail butcher shops in England, with some 1,500 outlets. They control one of the largest slaughterhouses in Britain and import nearly 10% of the U.K.'s beef and lamb. They own textile mills in Hong Kong and a meat wholesaling venture.

Samuel, Lord Vestey, 46, and cousin Edmund, 55, control everything through four £1 "management shares"—two shares each. Always acting together. they still make the daily decisions about running their $2 billion (estimated assets) holding company, Western United Investment. The family crest sums it up: "Stability through work—and cold stores." And tax avoidance.—**Kathleen Healy**

DAVID J. SAINSBURY

The Lights Are Still On

The Sainsburys have come a long way from a dairy shop opened on Drury Lane in 1869 by John Sainsbury in the hope that it might become six shops, one for each son. It became more than that in his time, and the Sainsburys have proved lucky in each of the last four generations.

John Sainsbury's son J.P. was so dedicated to the business that his dying words were said to be, "Keep the stores well lit."

Third-generation Alan, Lord Sainsbury, according to legend, was stung into similar dedication in his youth by the overheard observation of an employee that "firms like Sainsbury's always go bust in the third generation." He and his brother Sir Robert expanded the chain to 259 branche before Alan retired in 1967.

Today Alan's son John and Robert' son David control the chain, nov some 275 stores and the largest an most profitable retail food chain i Britain. The family's controllin share of J. Sainsburys supermarke empire, which well exceeds 50%, i lately worth around £2 billion. Davi alone holds some 25%, worth £95 million (about $1.6 billion). The fam ily fortune is split between six third and fourth-generation descendants c John Sainsbury. They have set up charitable trust worth £350 million It includes such projects as the £3 million wing being added to the Na tional Gallery.

David Sainsbury is a bit differen from some of his forebears: He consic ered a career as a research psycholo gist at Cambridge before deciding "I' rather be a good grocer than an ave age researcher." Now, besides servin as financial director of the famil company, he has a venture capita fund and gains as much attention fo his vociferously liberal politics. A onetime Laborite, he's a leader in th Social Democratic Party, part of th alliance that fared badly in Margare Thatcher's election sweep this year.

The Sainsburys have recentl looked outside the U.K. They bough a controlling interest last year in $1. billion (sales) Shaws supermarke chain, serving Massachusetts, Ne Hampshire and Maine. They are pu ting a toe in the water to learn some

David Sainsbury

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thing of the U.S. marketplace before they risk any major expansion in the U.S.—**Kathleen Healy**

SIR ADRIAN AND JOHN SWIRE

Sun Sets On British Empire

The Swire Group began in 1816 in the U.S. cotton trade. Interrupted by the Civil War, the Swires shipped textiles to Japan and China. The firm was founded by his father, but John Samuel Swire, swashbuckling trader from Liverpool, built it into a Chinese trading empire. The Swires' merchant interests were soon surpassed by shipping, and from 1884 John Samuel built a sugar refinery, the Taikoo Dockyard in Hong Kong, a tug company and a paint factory.

After World War II the empire was built anew by Sir Adrian and John's father, "Jock" Swire. Among other things, Jock acquired then-tiny Cathay Airlines in 1948 and added it to his main Asian vehicle, Butterfield & Swire. Now it has grown into Swire

South China Morning Post

Sir Adrian and John Swire

Pacific, a big Hong Kong-based combine with interests in property development, shipping, Coca-Cola bottling and trading, with earnings of $230 million on revenues of $2.1 billion last year.

However, the sun may be setting on the center of the Swire empire. A public offering of the airline last year, and sale of a 12.5% interest in it to Citic, the foreign investment arm of the Beijing government, in January, have reduced Swire Pacific's share to 50%. Whether the Swires can hang on after Hong Kong reverts to the mainland in ten years is an open question, according to Jardine Fleming Securities.

Meanwhile, John Swire, 60, and brother Sir Adrian, 55, fifth-generation descendants of John Samuel, run their interests from London and keep a low profile. The business won't die if Hong Kong is lost: The brothers have interests in smaller public and private companies worldwide—refrigerated warehouses in North America and Australia and 30% of James Finlay, which owns tea plantations in Bangladesh and Kenya. For now, credit the Swires with over $1.4 billion.—**Diana Fong**

SIR JOHN MOORES

I'll Take The Low End

Okay, all you modern managers, go chase the affluent side of the market. Sir John Moores, 91, life president of the U.K.'s largest family-owned private company, became a billionaire selling things to folks at the low end of the market. British workers buy clothes from the retail chain and mail-order firm he founded, they gamble their spare pennies through his weekly soccer lottery and, if they're good Merseyside boys, they'll head out to Anfield or Goodison Park on a Saturday afternoon to watch one of the two soccer teams he has a major stake in, Liverpool and Everton.

Demographics have started to catch up with the Moores empire. The working class becomes middle class. Liverpool-based Littlewoods, Moores' conglomerate, notched up disappointing profits of $115 million last year on sales of $2.8 billion. His 110 outlets are plagued by the same image problems that afflicted Sears in the U.S. market, with many of the Littlewoods stores situated in depressed northern England. Soccer and the soccer pools, which offer the chance to win $1.6 million, are losing popularity as fans grow older and the game is tainted with hooliganism and violence.

Moores has retired twice: He handed over the reins to his son, Peter, in

Sir John Moores

1977 but abruptly took over again i 1980 when profits started drying up Moores retired again, in 1982 handin over the chairmanship to a nonfamil member, John Clement. Despit these problems, the City of London' investment bankers drool at the pros pect of taking Littlewoods public, un likely only as long as publicity-sh Moores, who founded the company i 1923, is still alive. Meanwhile, the calculate Moores' wealth, applyin market multiples to his reported earn ings. Lately they came up with a least $1.5 billion.—**Jonathan Clements**

ROBERT MAXWELL

Richest Czechoslovakian

Jan Ludwig Hoch is an unlikel billionaire. A Labor M.P. born i Czechoslovakia in 1923, he is now billionaire Fleet Street press baro with the anglicized name of Rober Maxwell. After serving in the Czec

Christopher Cormack Inc

Robert Maxwell

underground as a teenager, Robert Maxwell became a captain in the British army. A series of postwar deals, some reportedly using army contacts to get hold of German military research, gave him a stake in a war buddy's small publishing company. In 1951 he bought out the buddy for a reported £13,000. At Pergamon Press he quickly established a series of academic and scientific journals that amounted to lucrative, if tiny, monopolies: "It's no use trying to compete with me," he once said, "because I publish the authoritative journal in each field. I'm dealing in high-penalty information. If you're building a chemical plant and you don't know about the latest development in that area, the mistake could cost you £10 million. So people will pay £1,000."

In 1971 Maxwell sold Pergamon to American dealster Saul Steinberg. Steinberg cried foul over Maxwell's accounting and self-dealing. Eventually Maxwell bought it back for a nominal sum, handing Steinberg one of his rare financial setbacks. Since then Maxwell has tried other takeovers, mostly unsuccessfully. But at least two succeeded: In 1981 he acquired control of British Printing Corp., England's largest printer, for £10 million. It was earning practically nothing, thanks to management incompetence. Last year it earned £80 million, and in the first half of this year it more than doubled its pretax profits. Maxwell's 60% was recently worth £860 million. In 1984 he bought all of the Mirror Group (newspapers), now estimated to be worth £400 million.

Last year Maxwell's British Printing & Communications Corp. bought three U.S. printing companies and a minority stake in Canada's biggest paper company. Maxwell's Pergamon Media holding company bought a minority stake in France's TF1 as part of the TV station's privatization. Lately he's been getting into cable TV, folding his unsuccessful *London Daily News* and making a pass at U.S. publisher Harcourt Brace Jovanovich.

Nearly all of his seven offspring work in the Pergamon group, including Kevin, the 29-year-old favored son, who for now is managing director of one of the group's subsidiaries.

Says Maxwell: "I expect to be one of ten surviving global publishing companies. Once you understand that, you understand what I've been driving at."—**Kathleen Healy**

Italy

GIOVANNI AGNELLI

Romantic Figure

Last year the publication *La Repubblica* asked Italian women whom they would most like to fall in love with. Whom did they pick? A rock 'n' roll singer? A movie sex symbol? No. They chose 65-year-old Giovanni Agnelli, chairman of Turin-based Fiat Group and an internationally famous hobnobber with presidents and motion picture stars.

Agnelli (nicknamed *l'avvocato*, the lawyer) was born into the establishment: His grandfather, also Giovanni Agnelli, founded Fiat (Fabbrica Italiana Automobili Torino) in 1899. Agnelli's father, Edoardo, died in a plane crash in 1935, when Gianni was 14. The grandson joined the family company in 1945 after fighting in World War II on the side of the Allies. His war record ensured Fiat gentle treatment by the U.S. occupying forces. For 20 years a close associate of Agnelli's grandfather ran the firm, which continued to dominate the Italian market. In 1966 Agnelli took over as chairman.

As the economy boomed, Italians traded in their scooters for the small, inexpensive Fiat cars. But the Seventies brought real trouble. The OPEC oil crisis played havoc with the Italian economy. Left-wing unions, more interested in disrupting the economy than in the welfare of the workers, hurt production. Absenteeism exceeded 20%. In an effort to placate the unions, Agnelli, mistakenly, extended the *scala mobile*, Italy's infamous system of wage indexing, which raised costs but did nothing to civilize the unions. In addition, Red Brigade killers assassinated four Fiat managers and wounded 27.

But as Italy prospered and its taste for left-adventuring waned, the atmosphere changed. Agnelli took advantage of the new mood. He fired 61 workers suspected of terrorist links and broke the reign of terror the left fanatics had maintained over the mass of employees. He also replaced his own younger brother, Umberto, as president, with the tough Cesare Romiti. Something still had to be done about the featherbedding and bloated labor costs that made Fiat uncompetitive in an increasingly open and competitive European market. Romiti laid off 23,000 workers. A 35-day strike ensued, but in the end management

Paolo Siccardi/Picture Group/Contrasto

Giovanni Agnelli

won substantial improvements in productivity.

Since then Fiat has doubled its profits nearly every year. In 1986 the firm earned $1.6 billion on $22 billion sales—a 7% margin. In comparison, Toyota's was 5%. When things were blackest, Libyan dictator Moammar Qaddafi had bought 15% of the company; now Agnelli has bought him out. The Agnelli family holds 38%. Agnelli's empire also includes newspapers, department stores, cement companies, banks and electronics manufacturers.

Giovanni Agnelli's net worth? Just short of $2 billion. All that and glamour, too.—**Tatiana Pouschine**

BENETTON FAMILY

Papa Would Be Proud

Take a stroll through Paris, London or New York. You can't miss the brightly colored Benetton clothing outlets. Like fast-food restaurants, they pop up everywhere. In 23 years the Benettons of Ponzano, Italy have created a European clothing empire.

Luciano, the eldest, is the driving force behind the $1 billion (sales) Benetton Group, which is headquartered in a beautiful 17th-century villa 20 miles north of Venice. His father, a truck driver, died in 1945, when Luciano was only 10 years old. Luciano left school at 14 to help support the family by working as a clerk in a material shop in Treviso.

Meanwhile, Luciano's sister, Giuliana, a knitting machine operator in a garment factory, liked to create simple sweater designs using brilliant colors. Luciano began to peddle the knitware to stores in Treviso after work. They sold well.

In 1955 Luciano decided to take the plunge. He and his sister, then aged 17, would team up to go into business for themselves. She would design, he would sell. With trepidation she agreed. To raise the down payment on the knitting machine, Luciano had to sell his accordion.

By 1965 business was good enough to open a small factory. In 1968 the two Benettons launched their first retail store, in the small Alpine town of Belluno. The formula: trendy, good-quality clothing at low cost. In true Italian style, the business soon became all family. Gilberto and Carlo, the two younger brothers, joined the company. Luciano was the president, Giuliana, the designer; Gilberto, the head of finance; and Carlo, the head of production.

The Benetton family has been quick to exploit market trends. The company moved from jerseys and cardigans into jeans just as the market for denim jeans was exploding in the mid-1970s.

And they have been shrewd. Where others built inventories of colored textiles at risk in the fickle and changeable marketplace, the Benettons bought most everything in a neutral color and dyed it to fit demand. The Benettons are widely admired for their innovative production technology. Their principal warehouse in Italy is so highly computerized that fewer than ten employees are needed to staff it. By 1975 Benetton had 200 shops and was opening more at the rate of 100 a year.

After 1979 the family expanded to the U.S. to take advantage of the huge surge in demand for informal clothing. Today the company oversees 4,500 outlets in 60 countries, and sales have almost doubled since 1983.

In July Benetton debuted on the Italian and Frankfurt stock exchanges. The stock has skyrocketed. Together, the four Benettons, who own equal shares, are worth about $1.8 billion.—**Tatiana Pouschine**

Luciano, Gilberto, Giuliana, Carlo Benetton

FERRUZZI FAMILY

Billionaire Farmers

The Italians, who like nicknames, have dubbed Raul Gardini, managing director of the Ferruzzi group, *contadino*, or the farmer.

It's quite a farm. The family estate includes over 2 million acres of land in Europe, the U.S. and South America. In addition, the Ravenna-based Ferruzzis control over 50 companies.

Serafino Ferruzzi, a small-time farmer, started by importing grain into Italy to meet shortages created by World War II. The trade was startlingly lucrative, and, once started, the business grew fast. So fast that a young man named Raul Gardini, son of a family friend, quit his university studies in 1955 to work as a trader for Ferruzzi. Two years later Gardini married Idina, the boss' daughter. In 1979 Gardini's publicity-shunning father-in-law died in a plane crash. Gardini was in charge.

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In 1981 the group bought a large stake in France's largest sugar concern, adding 30% of the French sugar market to their dominant share of the Italian market. In 1986 Gardini went after British Sugar. British critics kicked up a fuss, and the bid was rejected this year by the British authorities, but Gardini patiently bought a 23.7% share in the company's parent, Berisford.

The extent of the Ferruzzis' power became obvious last winter when Gardini won control of Montedison, Italy's $8.6 billion (sales) chemical firm. The Ferruzzi interests now hold 36% of Montedison.

Last summer the Ferruzzis showed themselves yet more: They will become Europe's largest producer of cornstarch by paying over $600 million for the European operations of CPC International, the U.S. food company.

Gardini evidently intends to stick to agriculture-related businesses—but defined his way. For example, he hopes to turn Europe's cereal and sugar surpluses into ethanol, a gasoline additive. A joint venture with Montedison has spent $80 million on a U.S.-based plant. Next: He may take more of the Ferruzzi holdings public.

The family's holdings, which are divided among Gardini, his wife and three other children of Serafino Ferruzzi, are easily worth over $1 billion, net.—**Tatiana Pouschine**

Raul Gardini, getting degreed.

SALVATORE LIGRESTI

Mystery A La Siciliano

Last year *Il Mondo*, a leading Italian business magazine, featured Salvatore Ligresti on its cover as "the new king of Milan." Quite a compliment for a Sicilian in condescending northern Italy.

Ligresti, 55, grew up in Paterno, where his family owned a modest textile business. He went north in 1957 to study engineering at the University of Padua. In 1959 he settled for a paying job as an engineer at the Milan airport. After working for an architect to gain experience, he went into his first construction deal in 1962. A quarter century later he had made his first billion.

Salvatore Ligresti

He began by overseeing construction projects, including office buildings and parking garages, in which he always took an ownership stake. By 1978 he was rich enough to buy through a network of holding companies a 36% stake in the big insurance company SAI. Here Ligresti was tempting fate: "There is a saying," says one Italian stockbroker, "that whoever buys SAI sooner or later goes bankrupt."

The previous owner had indeed gone under, but Ligresti's timing was better. SAI rebounded to become one of Italy's most successful insurance companies. Ligresti's investment—estimated at about $50 million—is now worth over a trillion lire, or over $750 million.

Still moving, in 1985 Ligresti bought giant Grassetto Costruzioni and its residential-builder affiliate, Grassetto Casa. The Ligrestis also own most of a bathroom ceramics manufacturer, a string of private medical clinics in Milan, 32 hotels and real estate holdings centered in Milan but scattered from the north to the south of Italy.

The Milanese aren't quite sure what to make of Ligresti. They trust no one from the South: Where did this onetime engineer get the capital for his big Milanese construction killings? Is this envy and resentment? Or is the success suspicious? No one really knows.—**Tatiana Pouschine**

MICHELE FERRERO

Where's The Chocolate?

Given the number of kidnappings in Italy, it's no surprise that many rich Italians are allergic to publicity. But few are as allergic to media attention as Michele Ferrero, owner of a private chocolate conglomerate based in Pino Torinese, outside Turin, which makes some of the most commonplace and familiar products in Italy and the U.S.

Ferrero was 32 years old when he took over a small family confectionery and pastry business, Ferrero SpA, in 1957. His father, Pietro Ferrero, came up with a new idea. During World War II tons of hazelnuts sat unused in the warehouses of Alba. Meanwhile, Italians, who couldn't afford chocolate, craved sweets. Pietro created a chocolate spread based largely on hazelnuts.

The firm began to grow rapidly with Michele's launching of Nutella, a similar chocolate spread. Kids went crazy over it then and continue to go crazy over it today.

The Ferrero empire now includes other successful products: Tic Tac mints, Mon Cheri and Pocket Coffee chocolate and Kinder chocolate, all big sellers in Europe. The company's consolidated sales are today over [illegible] trillion lire, roughly $1.5 billion, and it employs more than 6,000 employees worldwide.

The reclusive Ferrero keeps coming up with new ideas and successful selling strategies. He spends heavily on television spots, with advertising campaigns mostly created in-house. Are European mothers worried that kids eat too much sugar? Ferrero commercials point out how much more milk than chocolate there is in its Kinder chocolates.

Having no shareholders to please, Ferrero can also afford to wait for success. Consider Tic Tacs. Introduced in the U.S. in 1971, the mints were an instant hit. By 1974 competitive pro

Olympia

Michele Ferrero

ucts such as Warner-Lambert's Dynamints were edging into Tic Tac's market. Ferrero shifted the brand from adults toward children—unfortunately, the wrong move. By 1977 children, ever fickle, had switched to soft bubble gum, and Tic Tac had lost its hold on the adult market.

Ferrero refused to give up. He dropped all brand advertising and instead developed a new network of brokers to push Tic Tac to retailers. Gradually, it recovered. By 1985—eight years later—its market share had climbed back to almost 10%, from its low of 2.5%. Of such small stuff is a business worth over $1 billion made.—**Tatiana Pouschine**

Switzerland

BARON HEINRICH THYSSEN-BORNEMISZA

It's The Art

Baron Thyssen-Bornemisza is firmly entrenched as one of the world's richest men on the basis of his art collection alone: 1,500 or so paintings that are generally valued at over $1 billion by the art world, a collection widely considered to be second in size and value only to the Queen of England's.

A great fortune is the first prerequisite for a great art collection, and the Baron's began with his grandfather's steel company. August Thyssen, born in 1842, was the Andrew Carnegie of Germany, a son of a successful wire manufacturer who started an iron and steel foundry in Mülheim in 1871. He built many foundries and his own harbor and expanded into neighboring countries. The eldest son, Fritz, inherited the steel and coal in 1926; the younger son, Heinrich, the father of the present baron, inherited diverse businesses in Germany and Holland. He considered himself more an art collector than a financier. He acquired the title and the Bornemisza name by marrying into, and being adopted by, a titled Hungarian family needing a male heir. In 1933, despising the Nazis in Germany, he settled in Lugano, Switzerland.

Baron Heinrich Thyssen-Bornemisza

Evelyn Hofer

In 1947, at 26, the present baron inherited a ragtag bunch of companies, half the art and a still-suspect name (Uncle Fritz had been an early supporter and financier of the Nazi party, not breaking with it until 1939). Heinrich promptly set about repairing the Bornemisza branch of the businesses and winning back and rebuilding properties confiscated by the Allies.

Today Thyssen-Bornemisza Group, based in Monaco but with 40% of its $1.8 billion sales in the U.S., includes storage and container leasing companies, a glass manufacturer, agricultural machinery, and information systems companies. It is administered by the eldest of Heinrich's four children, Georg Heinrich.

The baron's lifelong ambition has been to assemble the world's best private art collection. He bought back most of the Old Masters inherited by his siblings and has uniformly bought the best from the best: a Duccio from the Rockefellers, a Ghirlandaio once in the Morgan collection. (He still wants a Botticelli, however, and a Jackson Pollack.) His home has become a mecca for the art world.

The baron's love affair with esthetics also extends to women: "Must I possess a picture to enjoy it? A picture? No," he has said. "Maybe a woman, yes." Now 66, he lives with his fifth wife at his Villa Favorita in Lugano.—**Christie Brown**

MAJA SACHER-STEHLIN AND PAUL SACHER

The Hoffmann-La Roche Fortune

Through marriage Maja and Paul Sacher are the principal heirs to the F. Hoffmann-La Roche pharmaceutical empire. The Basel-based fortune, however, started with Fritz Hoffmann in the 19th century.

Fritz was the 13th generation de-

Paul Sacher and Maja Sacher-Stehlin

scendant of a shoemaker, Hans Hoffmann-Sax, who became a citizen of Basel in 1489. But the long family tree was no solace during the early years of the company, which Fritz founded with a partner in 1894. Two years later his partner left, and the firm almost folded when the banks cut off the company's credit. But Fritz fought back, and in 1898 he came up with his first blockbuster drug.

In the fall of 1892, while apprenticed to a pharmacist in Hamburg, Fritz had lived through a cholera epidemic that killed thousands of people in a matter of weeks. He and the other employees drank cognac all day in an attempt to fight off the disease; they found that orange peels improved the taste. Recalling that experience, in 1898 Fritz improved the taste of a strong but nasty-tasting cough syrup, introduced Sirolin, and soon the company's sagging fortunes were reversed. Such was the base of one of the great pharmaceutical houses of the world. Today Hoffmann-La Roche has sales of $5.5 billion.

Fritz married Adèle La Roche in 1895, the sister of a close friend. When Fritz died in 1920, the bulk of his estate appears to have gone to one son, Emanuel, who married a Basel society girl, Maja Stehlin. They had two sons and a daughter. Emanuel died in a car crash in 1932.

His widow, Maja, was remarried two years after his death, to Paul Sacher, a conductor and local celebrity ten years her junior, who had founded Basel's chamber orchestra and a special school for the study of music. Today the Hoffmann-La Roche family descendants own an estimated $1.6 billion of the voting shares, plus an unknown number of bearer shares; of that, Paul and Maja are said to control the bulk.

One of the world's great music patrons, Paul Sacher has commissioned all of today's major composers. Any Stravinsky mementos that come onto the market are usually snapped up by the Paul Sacher Foundation. Sacher knew Stravinsky and bought the composer's archives for over $5 million in 1983. He has since built a research institute to house the collection in Basel. Paul is now 81, his wife, 91; there are no children from the marriage. But there are Maja's children and grandchildren from her first husband, Emanuel Hoffmann-La Roche. They stand to inherit—provided the fortune doesn't go to charity on the couple's passing.—**Richard C. Morais**

THOMAS AND STEPHAN SCHMIDHEINY

Just Two Solid Swiss Citizens

Jacob Schmidheiny (1838-1905), son of a shoemaker, started this family's wealth with a small brick factory in Heerbrugg, a village in eastern Switzerland. From that, four generations of industrialists have created an empire that has become an important part of the Swiss economy. Rather than squander money or idly keep cash in the bank, the Schmidheinys take risks and plow money back into new businesses.

Old Jacob divided his fortune between his two sons, Ernst and Jacob II. Ernst joined the family business after World War I, increased the family construction holdings, but died in 1935 when his plane crashed in Egypt. His two sons, Ernst II and Max, found that they had inherited a dangerously overleveraged conglomerate. The company's credit was cut off by the banks shortly after the brothers assumed control.

Thomas and Stephan Schmidheiny

Max and Ernst II turned the family company around, however, and in their turn added to it. Max stepped down for his two oldest sons, Thomas and Stephan. Following the Schmidheiny rule, meant to keep family squabbling to a minimum, each son received a large domain over which he has absolute control. (Another son, Alexander, has little to do with the family business.)

Thomas, 42 and interested in politics, now runs Holderbank, one of the world's largest cement companies. Stephan, a 40-year-old lawyer, runs a private holding company invested in banks, real estate, retailing and construction materials—though he has diversified away from the cyclical construction business. The family holdings also include hotels and companies making precision measurement equipment and watches.

(There's another branch of the Schmidheiny family. Old Jacob's other son, Jacob II, begat son Peter who begat Jacob III. Jacob III, 44, and apparently not quite a billionaire, runs a construction materials company that competes against his two wealthier cousins', and meanwhile sits on a third family holding company with his cousin Thomas.)

While deliberately quiet and little known outside Switzerland, the two richest Schmidheinys follow the tradition of keeping a proper place in the Swiss community. Thomas represented his community and canton in local politics for 11 years and is a board member of Swissair and Crédit Suisse. Stephan, who recently made waves by buying with a partner a controlling share of SMH, the maker of Swatch, Omega and Tissot watches, is also the largest shareholder of Brown Boveri, the electrical engineering firm that is merging with Sweden's ASEA. Among other things, Stephan is a board member of Switzerland's biggest bank, UBS. Solid citizens, then. But even so, you would not necessarily realize that the two brothers together have a net worth in excess of $1 billion.—**Richard C. Morais**

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MILES AHEAD

France

SERGE DASSAULT AND FAMILY

How To Build A Jet Fighter

When Marcel Dassault died at 94 last year, his funeral service at Napoleon's tomb was worthy of a head of state. The father of French aviation, he was founder of Avions Marcel Dassault-Bréguet Aviation (which manufactures the famous Mirage fighter jets), a member of parliament until his death, and the richest man in France. Dassault's empire extended to publishing, entertainment, Paris real estate and electronics, plus a solid portfolio of U.S. stocks, including 1.5% of Boeing, recently worth about $120 million.

Dassault was born Marcel Bloch, the son of a Paris physician. An exceptionally talented aeronautics engineer, he designed his first aircraft for the French government during World

Marc and Borrel Gamma Liaison

Serge Dassault

War I. Bloch was born Jewish but converted to Catholicism and changed his name after surviving Buchenwald. He recouped from two complete nationalizations of his aircraft companies—during the Popular Front in the 1930s and after World War II.

Dassault hired the best engineers in France, but to keep costs down he would improve on existing prototypes rather than design from scratch.

Cautious in aircraft development, Dassault was aggressive in U.S. stocks: When the Mirage F-1 lost a bid for a major arms contract to General Dynamics' F-16 in the mid-1970s, he reportedly acquired a huge block of his competitor's shares.

In 1981 he staved off yet another full nationalization by "donating" 26% of the family shares to the state. In exchange Dassault's heirs may not have to pay full inheritance taxes.

His family still owns just short of 50% of the company's stock. His widow, Madeleine, and two sons—the older Claude, who is mentally handicapped, and Serge, 62, who became chairman of Avions Dassault last October. With France moving away from nationalization of industry, Serge hopes to buy back some of the government's share in the company and restore the family's full control. Estimated family wealth comes to at least $1 billion, not counting extensive Paris real estate.—**Diana Fong**

LILIANE BETTENCOURT

From A Tricycle, Suntan And Hair

The heiress to the L'Oréal fortune lives quietly in a mansion in a fashionable suburb of Paris with her husband, André, a former government minister and holder of the Croix de Guerre, amid her Art Deco furnishings. On her living room wall hangs one of Monet's more famous paintings of water lilies.

Meanwhile, the hair-coloring and cosmetics company that was founded in 1907 by her father, Eugène Schueller, and controlled now by Liliane Bettencourt has beaten out Avon, Revlon and Japan's Shiseido to become the leading cosmetics company in worldwide sales.

Since the time Eugène Schueller concocted a chemical hair dye in his kitchen sink and peddled it around Paris on a tricycle, L'Oréal has been more research-based than its competitors. It has expanded from hair products into skin care and other cosmetics, then later pharmaceuticals. Schueller, who was chairman of the

R. Kalsar Magnum

Liliane and André Bettencourt

company until his death in 1957, had a knack for introducing new products at the right time, such as Ambre Solaire suntan lotion in the 1930s, when the French government gave in to workers' demands for paid vacations and people swarmed to the beaches.

L'Oréal's Free Hold styling mousse, an alternative to hair spray, is the company's recent hit on both sides of the Atlantic. L'Oréal's North American licensee, Cosmair, which acquired Warner Communications' cosmetics division in 1984, has grown dramatically over the past four years. Mme. Bettencourt also owns 25% to 30% of Cosmair.

In the past five years L'Oréal stock has jumped at least four times in value on the booming Paris Bourse, making Mme. Bettencourt's 28% interest in L'Oréal, held through Gesparal SA, a holding company, worth $1 billion. Bettencourt once owned all of Gesparal. But François Dalle, L'Oréal's retired chairman, persuaded her to sell 49% to Nestlé in a complicated transaction for 4% or more of the Swiss company's stock. Bettencourt, reportedly, was trying to reduce her stake in L'Oréal so that her heirs (she has one daughter, Françoise) would not have to pay French inheritance taxes. L'Oréal denies this was her motive. Whatever the case, French inheritance taxes have since been abolished.—**Diana Fong**

SCHLUMBERGER FAMILY

Baku To Thank

They're quite a family. Dominique de Menil is the acknowledged doyenne of Houston society and a world famous art collector. Jérôme Seydoux heads Paris-based aviation, shipping and industrial concern Chargeurs SA. Nicolas Seydoux heads Gaumont, France's largest film production and distribution company. The youngest Seydoux brother, Michel, heads his own film production and aviation company, with reported 1986 sales of about $100 million.

The family fortune traces to two brothers, Marcel and Conrad Schlumberger (pronounced Schloom-bare zhay), geologists from German-occupied Alsace. In the 1920s they invented an electrical device to pinpoint the location of oil deposits—a process known as oil well logging. They set up a small family enterprise in Paris, and the first big customers willing to take a chance on their unfamiliar device

Gamma Sipa

Jérôme Seydoux

Gamma Sipa

Nicolas Seydoux

and large claims were the Soviets, who used the new technology to develop the Baku oilfields. Schlumberger Ltd., now a New York-based multinational, has been the world leader in its field ever since.

The family is well represented on the board but has otherwise been out of the firm for a long time. The basic decision was taken by Marcel's son Pierre in the 1950s: If Schlumberger Ltd. was to prosper, it must cease to be a family company and open the way for talent to rise from within.

Jérôme Seydoux, Marcel's grandson, was brought into the family firm in 1970 by the urbane, artistically inclined Jean Riboud, then chief executive. Handed an ailing French maker of electrical meters the company had picked up, Seydoux turned it around. Riboud rewarded him with the title of company president in 1975. There ensued, as Paul LePercq, a director and longtime intimate of the family, delicately described it to FORBES, "a situation full of subtleties . . . in France if you are president, you are Mr. Big. The title of chief executive does not exist." Family member or not, Seydoux, brash and outspoken, did not fit into the new Schlumberger mold. He was fired five months later, and went on to found Chargeurs, which is performing well on the Paris Bourse. "I'm not a fatalist. I believe in taking chances," he explains.

These and other heirs of the two brothers from Alsace have long diversified their interests and investments but still hold an estimated 20% to 25% of Schlumberger stock, recently worth less than half its peak value during the oil crisis but still over $2 billion.—**Diana Fong**

The Netherlands

DREESMANN FAMILY

Commerce And Literature

The Dreesmann family is important enough in Holland to draw tabloid headlines like "Dallas in Nederland." Its company is 100%-family-owned Vendex International, the Netherlands' largest specialty retail group, with 1,150 stores in Holland, holdings in five other countries and interests in everything from wine outlets to temporary help services. Its $9 billion world revenues and locally enormous collection of retail stores bulk large in a country as small as Holland.

Vendex began more than 100 years ago when Anton Dreesmann and his brother-in-law set up a small retail business bearing their names, Vroom and Dreesmann.

Today the company is headed by Dreesmann's grandson, Anton R.C. Dreesmann, 64, a doctor of both law and economics and a part-time professor at the University of Amsterdam. Professor Dreesmann is interested in art and literature but he doesn't scorn commerce. He had the foresight and financial adroitness to expand in the Dutch service industry and invest aggressively abroad. Since 1974 sales have grown from $400 million to the present $9 billion.

Anton Dreesmann

Among the many Dreesmanns in the present generation, Cecelia, the youngest sister, is the most notorious. Her romantic novel, *De Mandersens* (an anagram for Dreesmann), about a warehouse dynasty, is full of family quarrels over love and property. Rumor has it the novel is based roughly on actual Dreesmann goings-on.

Be that as it may, plans are afoot to take the company, now valued at a minimum of $1.5 billion, public before 1990.—**Patrice Duggan**

Sweden

HANS AND GAD RAUSING

They Remember Mama

Ruben Rausing, a Swedish merchant's son, went to study business on scholarship at Columbia University in 1918—and in his rented Model T Ford Rausing toured the country, where he contrasted America's gleaming store rows of prepackaged foods with Sweden's old-fashioned barrel and gunnysack unlabeled produce.

Rausing reluctantly returned to the university town of Lund, Sweden. But he remembered the packaging. In 1929 he cofounded a specialized packager—for flour, marmalade and sugar—and for years worked on inven-

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BUILDING BUSINESSES INTO LEADERS

Hans Rausing

Gad Rausing

tions and built several companies.

Around the end of World War II, Rausing, observing his wife making sausages in the kitchen one afternoon, admired the efficient way the meat was squeezed into the package skin and then pinched shut at both ends. He applied the idea to fresh milk, a major Swedish product with markets strictly limited by spoilage and difficult packaging problems, and came up with a low-cost, germ-free packaging system that would eventually eliminate the need for refrigeration in the store.

He founded Tetra Pak in 1951, and the family's first cream packaging machines began to whir one year later at the Lund District Dairy. "It was a very advanced concept at the time," son Hans Rausing tells FORBES. "We were the first in the world to apply plastic coatings to liquid packages."

By 1965 the Rausing family found itself sitting atop a small, unwieldy $40 million (sales) business empire of bank note dispensers, water purification equipment, paper mills—and Tetra Pak—all the things that had interested the founder in a lifetime of puttering and probing. "Around 1965 we said, 'What the hell are we doing?' " recalls Hans, now 61. "Our liquidity was not good. Our solidity was not good. So . . . we decided to sell everything."

Everything but Tetra Pak; Rausing invested the $13.5 million sale proceeds into it and snapped up minority shareholdings. "I would say the shareholders were very happy to sell out," recalls Hans. "At the time they felt Tetra Pak was a bit too adventurous."

Marcus Wallenberg, Sweden's most powerful industrialist and banker, didn't have those doubts. He had financed Rausing's specialized packaging company three decades earlier, and he backed Tetra Pak now.

Today Tetra Pak's cool, reserved chairman, Hans Rausing, is semiretired, a tax exile from Sweden living on his estate in England. His older brother Gad, 65, is an archeology professor at the University of Lund.

And Tetra Pak? With its narrow focus on liquid packaging and $2.6 billion sales worldwide, family-held Tetra Pak is worth—estimates *Affärs Världen,* a Swedish business journal, some $6 billion dollars.—**Lisa Scheer**

Spain

MARCH FAMILY

The Balearic Smuggler

The March Group, a respected Spanish industrial and banking empire, is headed by Carlos and Juan March. It owns 50% of Corporación Financiera Alba SA, a $1 billion (market capitalization) holding company with investment stakes in building materials company Uralita and brewer San Miguel, among others. Its fortune, worth between $1.2 and $1.5 billion, looms in the still relatively small Spanish economy. The March family is said to occupy an entire block in an exclusive residential neighborhood in Madrid. Outside inquiries are met with icy suspicion.

Perhaps this insularity is meant to distance the Marches from the origins of their fortune. Juan March, Carl and Juan's grandfather, founded th house. Born in 1880 in Majorca in humble circumstances, he was co sidered the richest man in mode Spain. He made his first big mone according to published account smuggling tobacco between Spain ar North Africa to bypass the state t bacco monopoly. His profits we into real estate, banks, shipping ar newspapers. March, although a boo collector, never went to school ar was illiterate most of his life.

Convicted for fraud during Spain second republic, he switched his su port to Franco's fascist counterrevol tion and became known as Franco principal financier.

With Franco in power, March cou do pretty much as he wished. He co eted the Canadian-owned Barcelo Traction, Light & Power Co. Pleadi depleted currency reserves, the Spa ish government refused to hand ov to the solvent utility the pounds st ling needed to make pound-denom nated bond payments after the w The bonds sank. March accumulat many of the bonds. In 1948 a group March front men holding several the bonds sued Barcelona Traction f not meeting interest paymen March eventually became sole own

AGE WI

Carlos March

of what later became the center of l industrial empire. Now called Fe (Fuerzas Eléctricas de Cataluña S the Spanish utility really is nea bankrupt. But the March Group s off its stake years ago. Juan died i car crash in 1962, leaving a huge pr erty and a vile reputation.

"The family is very smart," plains one March Group exp "They don't make noise."

No longer.—**Lisa Scheer**

Colombia

PABLO ESCOBAR-GAVIRIA

Chief Paisa

Escobar apparently made his way to the top of the cocaine cartel by shrewdly reinvesting his initial earnings and becoming a master of public relations in Colombia. He first attracted the attention of drug police in 1975 when he was working as a smuggler, enforcer and bodyguard. In the next two years he saved enough money to start his own business trafficking in cocaine. By 1978 he was moving about 35 kilos of coke a month out of Colombia's Medellín. A husky, 5-foot-6-inch man normally given to rugby shirts, chino pants and sneakers, Escobar is a prime example of a Colombian *paisa*—an aggressive, unsentimental country hustler.

With his increasing wealth, Escobar took over a Medellín newspaper, acquired influence in Colombian politics and successfully ran for public office, becoming an alternate to the national congress. He built a reputation as a Robin Hood by erecting housing for the poor, building 70 soccer fields and opening a zoo to the public. A member of the U.S. Drug Enforcement Administration groused that the importing of exotic animals for the zoo seemed to have brought Escobar more trouble from the government than his drug business.

Currently, Escobar is wanted in the U.S. on charges in three federal indictments for cocaine marketing, money laundering and contract killing. Escobar denied all charges through an attorney. But he admits he had made an amnesty proposal on behalf of members of the cartel in 1984, when the cartel insolently offered to pay the Colombian national debt and retire in return for immunity. Prosecutors are not sure where he is and are not optimistic that he will be arrested and extradited. Officials believe he is in business as much as ever, but they say profit margins are declining with increasing supply and some evidence that demand is tapering off.

Lope Nedina/Sygma

Pablo Escobar-Gaviria

He has the largest share, estimated at 40%, of the cartel's business—indicating a cash flow to him alone totaling at least $3 billion over the years. Federal prosecutors who had him indicted in Miami don't know where he has hidden his wealth. But they see no evidence that he has squandered his huge earnings, either.—**David Henry**

OCHOA BROTHERS

Jorge's Bright Idea

Jorge Luis Ochoa-Vasquez, the second of three drug-running sons of a Medellín restaurant owner, first took charge of a cocaine exporting business in 1977 by having his boss executed, according to a Drug Enforcement Administration agent. He and brothers Fabio and Juan David are believed to

be the second-biggest part of the Medellín cocaine cartel after Escobar, with about 30% of the business.

Jorge's contribution has been developing a distribution network in the U.S. Fabio moved to Florida to help establish the network and is believed to have personally run thousands of pounds of cocaine out of a house on a cul-de-sac in Coral Gables.

Jorge was also instrumental in the formation of the cartel itself. He convened Medellín cocaine dealers in 1981 for one of their first meetings. The initial purpose was to form a united front against revolutionary guerrillas who had kidnapped his sister, Marta, in hope of siphoning a ransom of drug profits. But a different idea emerged: The guerrillas soon released her and later formed an alliance with the cartel, in which they provided security services for money.

Soon the money poured in, and

Jorge Luis Ochoa-Vasquez

their father, an obese man known fo wearing felt hats, turned over mar agement of his restaurant to devot full time to breeding race horses; Jorg and his brother Fabio took to raisin fighting bulls. By 1983 the family ha also assembled a fleet of 55 aircraf including jet-powered helicopters.

The Ochoas' attorney in the U.S William Moran, argues the goven ment's allegations are trumped u "Jorge's position has always been th he is a rancher and farmer, and thes suggestions of his involvement in th cocaine business have been great exaggerated."

But the Ochoas haven't been co vincing. The U.S. Congress voted la fall to pay $500,000 for informatic leading to Jorge's arrest and convi tion—a bounty believed the largest i U.S. history. This comes after his i dictment in 1984, which alleged th his next bright idea was to try to s

How to make $7 billion in 7 years

The Medellín cartel's estimated revenues have exceeded $3 billion a year. For which the notorious cocaine cartel has murdered nearly half of Colombia's supreme court, more than two dozen other judges, the nation's minister of justice, the editor of Colombia's second-largest newspaper, hundreds of police officers, wives, children and bystanders both there and in the U.S. The fear in Colombia is so pervasive that many lawyers refuse judicial appointments. When Colombian judges sign extraditions to the U.S., they in effect sign their own death warrants.

Recently the supreme court in Colombia actually declared the extradition treaty unconstitutional. The press there is so intimidated that it is the *Miami Herald* that has become the most complete public source of information on the cartel.

It is known as the Medellín Cartel for Colombia's second-largest city, its base of operations, believed by experts to be the source of about 60% of the cocaine sold in the U.S. The cartel buys the coca paste, runs processing labs and arranges transportation by outside subcontractors with boats and planes to its own U.S. "stash houses"—typically normal-looking middle-class residences. There the cocaine is usually sold in lots of 10 to 100 kilos to U.S.-based dealers who move the drug to the street, repackaged and diluted, at the equivalent, on average, of $176,000 a kilo. Over the years revenues to the Colombians have ranged from $12,000 to $55,000 a kilo. Profits have been tremendous. Its costs, at most, amount to $10,000 a kilo and are probably more like $7,000.

But say cocaine costs $10,000 per kilo. Use conservative estimates of sales prices and unit volume. Make generous allowance for "extraordinary losses," like the recent seizure of a Colombian processing complex worth perhaps $200 million. The cartel still must have cleared at least $7 billion profit from 1981 to 1986, tax free. That can pay for a lot of death.—**David Henry**

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up a processing complex for U.S.-bound cocaine in Nicaragua with the consent of the Sandinistas. Jorge was arrested in Spain on an Interpol warrant taken out by the U.S. But after lengthy and delicate negotiations, he was extradited—to Colombia, on a charge of smuggling bulls. After two weeks in a Colombian jail, he was suddenly released by a local magistrate. He has been free ever since.

The Ochoas have probably stashed away more than $2 billion among them, even net of bribes.—**David Henry**

Brazil

ROBERTO MARINHO SR.

Most Influential TV Viewer

Roberto Marinho, 83, often referred to as the most powerful man in Brazil, has played a dominant role in Brazil's communications for more than 60 years. Today he owns—and closely watches—Rede Globo, the TV network that commands 80% of Brazil's viewers and is the fourth largest in the Free World, surpassed only by the U.S. big three.

The Globo empire began when Marinho's father founded the Rio de Janeiro newspaper *O Globo*, now Brazil's largest daily. In 1925 Marinho went to work for his father as a journalist. Soon after, his father died, and in 1931 he took over. Early on, the paper became his political mouthpiece. In 1944 Marinho moved on to radio broadcasting, and in 1965, 14 years after TV had arrived in Brazil, he began building his television monolith. TV Globo began as a $4 million joint venture between Marinho and Time-Life. But in the 1970s new laws made it illegal for a foreign firm to own a Brazilian TV station. Marinho was forced to buy back Time's share.

To do so he mortgaged everything: his house, his art, his stocks, even the company buildings. It was so much that his son, Roberto Irineu Marinho, TV Globo vice president, once told *Advertising Age* that he had to cosign to prove his father was of sound mind. (Today he denies the quote.) But the network burgeoned spectacularly, along with the rest of Brazil, and today Marinho owns it all.

Marinho's power stems from his unabashed use of Globo as an even better political mouthpiece. "We give all necessary information, but our opinions are in one way or another dependent on my character, my convictions or my patriotism," he explains. After the 1964 military coup Marinho gave his full support to the junta for as long as it lasted, 21 years. How full? In 1984 a large demonstration in São Paulo against the junta coincided with the date of São Paulo's founding. Globo, straight-faced, reported the demonstration as a celebration of the anniversary.

Today Marinho supports the Sarney government. As the news airs, he watches with a telephone at his side, to call in his comments and complaints about the night's coverage.

Flavio Rodrigues/Editora Abril

Roberto Marinho Sr.

With estimated annual advertisin revenues of $600 million, Globo ha become a complex chain of 48 telev sion stations (including affiliates) an 30 radio stations. Globo also sells pr gramming to 90 countries, includin mainland China, and recently bough 80% of Europe's Italian-language ne work Telemontecarlo. Marinho an his family also own finance comp nies, cattle ranches, shopping cente and one of the largest collections art in South America. Although Ma inho still works a full day, his thre sons are well positioned to take ov the reins of this expansive family en pire, believed to be worth at least $ billion.

ANTÔNIO ERMIRIO DE MORAES

Straight Man

Now 59, he is Brazil's perenni "Businessman of the Year"- elected eight times in a row in a Br zilian business magazine's annu reader poll—and has been described the Brazilian press as a man of "unsu passed ethics in business." An auste figure, known for his inattention sartorial matters, Ermirio arrives the office of his family company, V torantim, by 7 each morning a doesn't return home until after 8 the evening.

Votorantim, founded by his gran father in 1918, is the largest industri group in Brazil and its largest sing private employer. Together with h brother José, the group's preside (family members dominate the top the company, but it is Antônio w calls the shots), director Ermirio hol close to 100 companies, with mo than 60,000 employees and a n worth approaching $2 billion. A n tive of São Paulo, Ermirio was educ ed as an engineer at the Colora School of Mines for a career in t family business, which is heav dominated by aluminum, cement a zinc production.

Votorantim has always gone out its way to avoid foreign investment even direct foreign technology tra fers. Ermirio says his company su ceeded in part because of its Braz only policy, which keeps the weal at home. He ascribes its success ev more to a practice of keeping his co pany substantially free of debt (8% capital) despite traditional Brazili hyperinflation. Instead, he plows ca immediately back into new prod

Renato dos Anjos/Editora Abril

Antônio Ermirio de Moraes

tive assets. With investments of over $120 million last year, only one subsidiary took out a bank loan.

Ermirio has been drawn to public life, so far without much success. In 1982 Brazil was entering what was, at the time, its deepest monetary crisis. Ermirio publicly prescribed "austerity, parsimony and work" as the cure. A close friend of Brazil's recently deposed finance minister, Dilson Funaro, he is considered one of the fathers of the 1986 "Plano Cruzado," which tried to kill inflation through price and wage controls. This resulted in an eventual price explosion earlier this year and near chaos in the economy.

Last fall he took his economic and political prescriptions to the voters, running unsuccessfully for governor of São Paulo state on the ticket of the Brazilian Worker's Party, a party that has shed its onetime leftist ideological character and now mostly serves individualists coveting office, such as Ermirio. That defeat may or may not have cured his political ambitions. But for the time being he has returned to business as usual, living quietly in São Paulo with his wife of 34 years and four of his nine children, and turning up at the office again bright and early each morning. Business, perhaps, seems more rational than politics.—**Patrice Duggan**

SEBASTIÃO CAMARGO

It's Better Than Being Foreman

The son of a humble farmer, he never had more than a third-grade education. But in the Twenties and Thirties, as Brazilian modernism tore away at the established order, Sebastião Ferraz de Camargo Penteado rose from laborer to proprietor and thence to become one of the wealthiest men in Brazil.

Camargo was born in 1909 in Jaú, a small town in the interior of the state of São Paulo. While he was still a boy, Camargo left his father's farm to work for a construction firm as a laborer, but without education and social connections soon found he was unable to rise above foreman.

At 21 he stepped out and formed his own business. In the beginning, with ten employees, he was a subcontractor. But boosted by the post-Depression industrial expansion of the 1930s, high prices at home and economic nationalism throughout the 1940s and 1950s, Camargo expanded his construction company and diversified aggressively.

Today Camargo is the leader and principal owner of Camargo Corrêa, the second-largest industrial group and the largest construction operation in Brazil—with 33 companies employing some 33,000 people in civil construction, mining, reforestation, engineering and finance.

Camargo has been involved in some of the grandest and most notorious projects in Brazil. There was the building of Brasília, the nation's futuristic capital, which was constructed from scratch in the late 1950s in an area so desolate that, with no roadways, the first sacks of cement had to be flown in.

There was the construction of the 1,967-mile-long TransAmazônica highway and Itaipu, which is one of the largest hydroelectric dams in the world. Only half completed, it has so far cost $11 billion and is considered a significant factor in creating Brazil's international debt.

Luiz Dantas/Editora Abril

Sebastião Camargo

Today, at 78, Camargo works a normal day, operating a business with a reported net worth of over $2 billion. He keeps a low profile and, unlike many of Brazil's business elite, has never run for public office. With Dirce, his wife of 41 years, Camargo has 3 married daughters, Rosana, Renata and Regina, and 11 grandchildren. All three sons-in-law work at Camargo Corrêa.—**Patrice Duggan**

Mexico

GARZA SADA FAMILY

Rockefellers No More?

The Garza Sada name commands more attention in Mexico than does Rockefeller in the U.S. For most of this century the Garza Sadas have been a leading example of Mexican business empires—built and maintained around family. Third- and fourth-generation descendants of the founders still control their four mammoth holding companies.

The clan began in 1890 in the northern city of Monterrey with the marriage of Isaac Garza to the sister of Francisco Sada. Their families had come from Spain, where they had converted from Judaism to Catholicism during the Inquisition. The brothers-in-law founded a brewery known for the Tecate, Carta Blanca and Bohemia brands—which can be found far north of the border.

Beer led to heavy industry. The family got into glass by making bottles for the beer. They started a packaging company to make boxes for the beer bottles. They turned to steel during World War II to ensure a supply of bottle caps. By the 1970s their children and grandchildren had developed four huge conglomerations of industrial and banking companies with factories and offices across Mexico (widely known south of the border as Alfa, Vitro, Visa and Cydsa).

Today, though, the family tradition has noticeably weakened. The result has not been good for the Garza Sadas. The family has grown with each generation, and divided. "Family deci-

sions" are a thing of the past, especially after the 1973 terrorist assassination of a leading figure of the second generation, Don Eugenio, a son of Isaac Garza. The component companies have often competed for joint venture partners, and lately cousins controlling individual conglomerates have been feuding in public.

As Mexico's economic problems deepened with the collapse of oil prices, certain indebted companies in the private sector suffered severely. Jealous of the growing power of the efficient private industries, the government bureaucrats used the crisis to undercut them. The very expansionist zeal that had served the Garza Sada companies so well during the boom now got them into trouble. Alfa, the huge steel and packaging combine, in particular was dangerously overextended. It bought companies left and right, entered joint ventures and built up existing businesses, mostly in capital goods. Sales increased by 950% during the 1970s.

When oil prices tumbled and the Mexican economy went to pieces—largely because of government waste, corruption and blundering—Alfa almost collapsed. Now bankers are taking ownership stakes, and family assets are a fraction of what they were at the beginning of the 1980s—still an estimated $1.3 billion.—**David Henry**

Bernardo Garza Sada

Canada

KENNETH ROY THOMSON

Doing It More Like Rapture

Kenneth's father, Roy Thomson, was the son of a Toronto barber and a brash and acerbic dealmaker who built a diversified international empire that now includes 60% to 75% of three of Canada's largest companies: Thomson Newspapers Ltd., International Thomson Organization Ltd. and Hudson's Bay Co. His and his family's net worth recently exceeded $5.4 billion.

Kenneth Roy Thomson

Kevin Fleming

Roy Thomson purchased his first radio station and newspaper in Ontario in 1931. In the 1940s and 1950s he pioneered an early version of the leveraged buyout, borrowing against target companies' assets and future profits to buy every paper he could that had a monopoly market. He then installed skilled management as needed, implemented a no-nonsense budget formula, and went on to the next newspaper. By 1953, when he resettled in Britain, where he had expanded his empire, as did a number of successful Canadians, Thomson was one of the most powerful men in Canadian publishing.

Known for his ribald manner and brusque style, he is credited with saying "the difference between rape and rapture is salesmanship." The Canadian barber's son was granted one of Britain's last hereditary peerages, becoming Lord Thomson of Fleet. He also befriended J. Paul Getty, who let him in for $5 million in a 1971 oil play in the North Sea. Soon the combine was pumping 100 million barrels a year and that alone put Thomson among the world's billionaires.

The present Lord Thomson, less colorful than his father, has been successful, too. He moved the family back to Canada, reduced leverage, and used the oil money to purchase ever more newspapers and other businesses. One Canadian in four now buys a Thomson-owned newspaper each day, and the chain reaches as far south of the border as Oxnard, Calif. Thomson also owns a small airline, a package-tour operator, and publishes *Jane's Fighting Ships*.

Thomson's only serious blunder, if it was one, was his 1979 purchase for over $400 million of Hudson's Bay Co. The 350-year-old retail chain that is the oldest continuing business enterprise in North America has lost money steadily since Thomson took it over, but there are signs that he is finally beginning to turn the company around.

"I always ask: Will the business be there in 50 or 100 years?" he remarked once, in a rare interview.

He is a quiet man said to be seen occasionally grocery shopping with his wife, his main extravagance a personal art museum off his Toronto office. Now 64, he has a son, David, in the business, fulfilling Roy Thomson's dying wish: that the Thomson empire be forever run by a male member of the family.—**Peter Fuhrman**

WESTON FAMILY

And It Is Around the World

The oldest among Canada's billion-dollar fortunes, the Westons' fortune dates back to 1882, when George Weston, an 18-year-old baker's apprentice, bought a bread delivery route in Toronto andbuilt a string of bakeries.

His son, Garfield, at his father's grave in 1924, swore, "I'm not going to build a costly monument to my father—I'm going to make his name

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famous around the world," and went on a 50-year binge of acquisition and expansion worldwide. Now family-controlled George Weston Ltd., based in Toronto, is one of North America's largest bakers and supermarket chains and Canada's fifth-largest company. Family-controlled Associated British Foods, out of London, has restaurants and supermarkets across Europe and Australia. George Weston annual sales exceed $7.5 billion; Associated British, $3.5 billion in 1986. They were rationalized years ago by Garfield's sons, Galen and Garry Weston, two of his nine children. Galen, 47, has managed George Weston since 1970, when he left the comforts of the family's estates and polo ponies in England and Ireland to shape up the then-ailing operation. He sold three-quarters of the firm's supermarkets, and the slimmed-down company has prospered: Its stock price has more than doubled in the last three years. Garry, 54, who only occasionally visits Canada, launched in the 1960s what became Ireland's largest supermarket chain. It is now part of Associated British, whose parent company, George Weston Holdings, owns Fortnum & Mason, London's posh provision store. It also holds 16% of Clyde Petroleum, which recently discovered a large North Sea oilfield. In June 1986 Associated British sold its Fine Fare grocery chain for over $1 billion.

A large part of the family's investments are reportedly held by the brothers' teenage children and the family's secretive holding company, Wittington Investments. Taken together, the family has well above $1 billion. The two brothers make use of holes in both Britain's and Canada's reporting requirements to shield wealth. Their shyness is understandable: In 1983 six Irish Republican Army gunmen tried to kidnap Galen at his Irish castle. The plot failed, but the Westons have all but withdrawn from public view.—**Peter Fuhrman**

Garry Weston

Galen Weston

Peter Redman/Financial Post

PAUL, ALBERT AND RALPH REICHMANN

Maybe It's The Short Fridays

Hungarian-born refugees from Nazism, Samuel Reichmann and his six children fled to Morocco, before moving to Canada in the 1950s.

Thirty years laterRalph, 53, runs the original tile-import business, while Paul, 55, and Albert, 57, have built an empire with a net worth in excess of $6 billion. Their privately held company, Olympia & York, is North America's largest real estate developer.

Their real start came in 1965, when they paid bankrupt developer William Zeckendorf $25 million for some apartment buildings and an undeveloped lot in Toronto. Severing and selling a few lots recouped the purchase price, and they were on their way.

Steve Behal

Paul Reichmann

Today O&Y owns 8.5% of the premium office space in Manhattan. Much was bought as a local real estate depression drew to an end in 1977. The $350 million they invested then is worth over $3 billion now. Altogether, Reichmann-owned buildings, according to conservative estimates, are worth in excess of $8 billion, generating more than $800 million in cash flow annually. They have typically held debt at 40% of value.

But real estate is only the foundation. The Reichmanns have reinvested some of that cash flow elsewhere. They own 80% of Abitibi Price (the world's largest producer of newsprint), 75% of Canada's 20th-largest company (Gulf Canada Resources), more than 90% of Hiram Walker Re-

The Globe and Mail, Toronto

Canapress

Albert (above) *and Ralph Reichmann*

sources (another oil company), and 26% of the Bronfman-controlled developer (Cadillac Fairview) now being sold. Total family-controlled assets are $15 billion.

O&Y is 92% owned by the three eldest Reichmanns. Their mother, Renée, now 88, holds the honorary title of chairman of the board.

The Reichmanns, Orthodox Jews, have shunned the spotlight for most of their lives. But stories of their religious devotion are legion. The 10,000 construction workers who built New York's Battery Park City—home to American Express, Merrill Lynch and Dow Jones among others—were sent home each Friday at 2 p.m. for the Jewish Sabbath. The Reichmanns are extremely close and live within a few blocks of one another in a suburb of Toronto. They surround themselves with few of the trappings of wealth, and reportedly donate 10% of their income each year to Jewish charities.

Lately the Reichmanns have been planning to develop the new Madison Square Garden complex in New York as well as the $4.5 billion London Financial Center at Canary Wharf. They are also attempting to hedge their fortune by diversifying into oil and natural resources. So far their reputation as brilliant contrarians is under heavy test: They paid top-of-the-market for Abitibi, and they bought into oil before the 1986 collapse. Undeterred, they are developing the Beaufort Sea at huge cost for the 1990s—because the brothers are said to worry about the family's future prosperity.—**Peter Fuhrman**

CHARLES BRONFMAN

The Other Bronfman

Charles, 56, who comes from a family known for intramural strife, seems content to live quietly with his wife (they have two children), $1-billion-plus in Seagram stock, and other interests exceeding $300 million.

Charles can thank the temperance movement in the U.S. for his happy existence: Sam Bronfman, a Russian émigré, was a small-time liquor distributor and hotel owner in western Canada who made millions selling Canadian whiskey to an army of U.S. bootleggers during the Prohibition years. Like that renowned American rum-runner Joe Kennedy, father Sam tried to use bootlegging profits to buy prestige and political power. The business he built, Seagram, became one of the world's largest and most profitable liquor companies by his death in 1971.

Charles and his Americanized brother Edgar, 58, are the two senior executives now at Montreal-centered Seagram & Co., Ltd. But Edgar, who works at the U.S. subsidiary in New York City, was always the more dominant. Charles prefers peace and quiet to Edgar's high-octane life, Montreal to New York. Charles is known both for his philanthropic activities and for his involvement in sports (he is principal owner of the Montreal Expos baseball team).

In addition to his 16.6% of Seagram, Charles Bronfman today controls 19% of Canada's fifth-largest brokerage house, McLeod Young Weir Ltd.

Then there is the family holding company known as CEMP (named after Sam's four children—Charles, Edgar, Minda and Phyllis), which is now being broken up. Sale of CEMP assets, including 40% of real estate developer Cadillac Fairview, should earn Charles another $200 million. The breakup of CEMP may have been triggered by Edgar Bronfman's attempt last year to declare his second son, Edgar Jr., the successor at the top of Seagram.

There is family precedent for Edgar's aggressiveness: Two Bronfman cousins, Edward and Peter, were forced by Sam to sell their Seagram shares at a below-market price of $15 million in the early 1960s. Like Edgar today, Sam evidently wanted to ensure his progeny alone would run Seagram. Undaunted, Edward and Peter have built a pyramid of leverage in Canadian companies, including giants Brascan and Noranda. All told, these "lesser Bronfmans" are worth perhaps half a billion together as a result, and control assets in excess of $75 billion. It will remain to be seen whether Charles' line will do as well.—**Peter Fuhrman**

Brian Willer

Charles Bronfman

Some people thought to be billionaires aren't. Others who once were are no longer. Plus a few who may hide it too well.

The ones we left out

The **Aga Khan,** spiritual leader of 15 million Ismailis, controls a business empire worth well over $1 billion, but only some $500 million of it appears to be his personal property. The rest is dedicated to the welfare of his religious followers.

The **Belzbergs,** the Canadian conglomerators and heavy players in the U.S. takeover game, have done well for themselves. But their empire is highly leveraged, and their interest in it is currently estimated at around $250 million.

Carlo De Benedetti, the head of Italy's Olivetti, also has his own extensive, personal business empire. His interest in it and Olivetti appears to be about $850 million.

Jean-Claude Duvalier, the exiled Haitian dictator, now lives quietly and luxuriously along the French Riviera. But estimates of how much he got out with range from $200 million to $900 million—and these may be high, Haiti being so poor a country.

Shaul Eisenberg, Israeli arms broker and middleman extraordinaire in international projects, has long been reputed to be worth many billions. But he is actually worth $500 million—$100 million in real estate, $150 million in Israeli companies and $250 million in securities and cash in Swiss and U.K. banks.

Fok Ying-tung, a.k.a. Henry Fok (rhymes with truck), is a partner with Stanley Ho *(below)* in the Macao gambling cartel. He, like Ho, is often thought of as a billionaire, but what's visible is perhaps half that.

Amalia Fortabat, Argentina's world-famous industrialist, socialite and art collector, is worth an estimated $750 million to $800 million.

Gonzalo Rodriguez Gacha, one of the principals of the Colombian cocaine cartel and currently a fugitive, had a smaller share than the Ochoas and Escobar *(see biographies).* It is not clear whether he has been able to rake off $1 billion—yet.

Sir James Goldsmith, Britain and France's (he holds dual citizenship) takeover artist, recently sold his stock in the main holding company of his empire for $300 million. Through his Brunerie Foundation, Goldsmith controls perhaps $200 million worth of timberland and other assets.

Stanley Ho, the widely known head of the Macao casino cartel, turns out to have only a part interest. What is visible appears to be worth $200 million or so. He is known to have widespread holdings around the world, but their total value is far from clear.

Adnan Khashoggi, Saudi Arabia's world-famous arms dealer, was reputed last year to be the "richest man in the world." This year, after highly visible and embarrassing business reverses, Arab bankers are whispering that he has a negative net worth.

Carlos Lehder, junior member of the Colombian cocaine cartel, is now in Florida prison awaiting trial. If he ever accumulated $1 billion from the cartel, it is extremely doubtful that it has all stayed with him since his capture by police.

Costas Lemos, the secretive Greek shipping magnate widely considered the richest shipping tycoon of all, proved too secretive this year.

Stavros Niarchos, a better-known but still secretive Greek shipping magnate, is taken for granted as a billionaire. But proving that he is is another matter.

Fred Olsen, Norway's reclusive owner of Timex, shipyards, half a Canary island and other assets, was described as worth $1 billion about five years ago. He may have been then, but deep and repeated business reverses since have reduced the worth of his business empire, according to an inside source, to under $500 million.

Christina Onassis, Greek shipping magnate's daughter and heiress, may not even be a quarter-billionaire, thanks to the shipping industry's worldwide depression.

Harry Oppenheimer, South Africa's famous minerals magnate, owns stock in the family companies Anglo American Corp. and Minorco and a grab bag of other interests, largely South African. Once over $1 billion, they lately come to about $800 million, courtesy of the collapse in the South African financial rand.

The **Pesenti** family of Italy has vast interests through their holding company, Italmobiliare, including cement, forest product and steel companies. Estimated worth: in the neighborhood of $800 million.

Ghaith Pharaon, Saudi Arabian investor and financier now based in Atlanta, has given his bankers a personal financial statement fixing his net worth at $975 million.

The legendary **Rothschilds** are unquestionably vastly wealthy, but the several branches are well dispersed now, several generations after the original five brothers who bestrode Europe in the early 19th century. The extent of each branch's present wealth is unclear.

The **Thyssen** family, Germany's steel magnates, holds about 20% of Thyssen A.G. Ten years ago that was easily $1 billion, but years of bad results have pushed the stock down to a recent $400 million. The family—Countess Anita Zichy-Thyssen and her two sons, Claudio and Frederico—lives in Argentina.

Hans Vontobel, and his brother, **Hans-Dieter,** run their exclusive family bank, Bank J. Vontobel, from Zurich's Bahnhofstrasse. One of the last holdouts to go public amongst Switzerland's private banks, the brothers' holdings are estimated at nearly $750 million.

The **Wallenbergs,** Sweden's premier industrial and financial family power for generations, are merely ordinary rich in their own right. Their vast corporate empire and the power that goes with it is controlled through a series of charitable foundations and investment companies, not through personal ownership. ■

And what of the Krupps?

Arndt Krupp von Bohlen und Halbach, the last of the German gunmaking family, had the dubious distinction of being Hitler's honorary godson. It was in their close ties with the Third Reich that the Krupps wrote the most infamous chapter in their long history. In 1906 Gustav von Bohlen und Halbach became head of the family when the Prussian diplomat married the only Krupp heir, Bertha—she whose name was given to the giant Krupp cannon "Big Bertha" that bombarded Paris in World War I. Gustav eventually became, in the words of fellow steel baron Fritz Thyssen, "a super Nazi."

During the war Krupp used slave labor, including women and children, to make the Third Reich's guns, ammunition and tanks. The appalling conditions at Krupp plants rivaled those at the concentration camps.

After the war Gustav, by then almost senile, escaped imprisonment, but his son, Alfried, who had taken over in 1943, was convicted of war crimes in 1948. Released three years later, he retrieved the family business and set out to find a Mr. Clean as chairman.

Enter Berthold Beitz, a supervisor of oilfields in southeastern Poland during the war, who had saved thousands of Poles and Jews from the death camps with token jobs. Beitz restored the company to prominence, reducing its dependence on the steel industry and diversifying into heavy engineering, shipbuilding and trading. Today, 75, he still runs Friedrich Krupp GmbH.

And what of the family fortune? In 1966 Alfried's only son, Arndt, renounced his inheritance, though not the bequest by his father that yielded him $900,000 a year to live on, and refused to have anything to do with the company. He even dropped the Krupp name. His father, Alfried, bowing to the inevitable, set up a foundation to hold his estimated $3.5 billion fortune, and died the next year, 1967. Arndt led a dissolute life, jetting between Palm Beach and Europe with his constant male companion, and died last year without issue, of a heart attack, at the age of 48. *Sic semper tyrannis.*—**Edward Giltenan**

Harry Benson

Arndt Krupp von Bohlen und Halbach
The end of the line.

Did Czar Nicholas quibble with Carl Fabergé over the price of eggs?

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What is the owning of a bank compared with the nationalizing of a bank?

Now for the world's really rich

By Allan Dodds Frank

REMEMBER SATIRIST Mort Sahl's joke about being washed up at 35? "Fidel Castro just turned 33, and he already owns a whole country," moaned Sahl.

Well, that's a major problem with calculating wealth in much of the world. What's mere personal net worth compared with a dictatorship? Never mind that the dictator presides over a sick economy. It's questionable, for example, whether any of our world billionaires live on anything as lavish a scale as North Korea's Marxist dictator Kim Il Sung. Kim, 75, has reputedly built a castle to house all the gifts his 20 million enlightened subjects have thrust upon him.

The 96 billionaires on our list, as rich as they are, unlike Kim, don't have tanks and secret police and the headship of nation-states (nominal or otherwise) at their command. The billionaires may be able to buy power, but they rarely can shoot their way into it. (In fact, several of our billionaires might still be parking cars, rickshaws or camels but for their extremely lucrative connections with, and long-term kickbacks to, the people who do have the guns.)

Greg Couch

If we were to try to assay all the world's kings and queens and assorted dictators, in dollar terms the richest man in the noncommunist world would be King Fahd, absolute ruler of Saudi Arabia. Fahd's family has legal claim to all of the country's 865,000 square miles not owned by others, and all the wealth on that land. That includes known oil reserves, currently worth about $1 trillion. The oil alone would dwarf the combined wealth of the 96 on our list. In second place, and arguably neck-and-neck with some of the top names in our billionaires survey, would be the Sultan of Brunei.

But a lot of assets controlled by rulers are often either not portable or not disposable, since they amount to the national heritage. That doesn't bother some rulers. Zaire's Mobutu Sese Seko reportedly has piled up $5 billion or more in his 22-year reign over 30 million people. To be on the safe side in case of exile, Mobutu reportedly owns residences in Belgium, France, the Ivory Coast, Monte Carlo, Spain and Switzerland.

Of course, there's Ferdinand and Imelda Marcos. They may never get their hands on the $5 billion to $10 billion—or maybe even $15 billion, according to the Philippines' principal investigator, Ramon Diaz—that they allegedly purloined in the Philippines.

Moving from the capitalist world to the glories of socialism, there is, again, North Korea's dictator, Kim Il Sung. Kim is not only good to himself, he is also good to his son, Kim Jong-Il. He allegedly let Junior kidnap two South Korean filmmakers to try to create a captive film industry.

Then consider Rumania's Marxist dictator, Nicolae Ceauşescu. The 69-year-old communist stalwart has ordered the razing of parts of historic Bucharest to accommodate the building of a civic center monument to himself, in keeping with road signs reading "Glory to the greatest Ceauşescu." Rumania's aged despot and his North Korean counterpart have one remarkable thing in common: They may both be Communists but they also apparently both intend to be succeeded by their playboy sons.

Which makes even these bloody tyrants human. For what successful person doesn't want to see his kids carry on the line? ■

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OVER $10 BILLION

Japan
Taikichiro Mori/*property development*
Yoshiaki Tsutsumi/*transport, hotels*

OVER $5 BILLION

Japan
Yohachiro Iwasaki/*logging, property*
Shigeru Kobayashi/*real estate*
Haruhiko Yoshimoto/*real estate*
Germany
Brenninkmeyer family/*retailing*
Sweden
Hans and Gad Rausing/*liquid packaging*
Canada
Albert, Paul, Ralph Reichmann/*real estate*
Kenneth Roy Thomson/*media, petroleum*

OVER $2 BILLION

Japan
Eitaro Itoyama/*property*
Konosuke Matsushita/*electronics*
Seijiro Matsuoka/*trading, real estate*
Yoneichi Otani/*hotels*
Keizo Saji/*liquor distribution*
Rinji Shino/*real estate*
Taiwan
Tsai Wan-lin/*insurance, construction*
Y.C. Wang/*plastics*
Saudi Arabia
Al Rajhi family/*money changing*
Germany
Karl Friedrich Flick/*finance*
Henkel family/*consumer products*
Reinhard Mohn/*publishing*
Rudolph August Oetker and family/*food, brewing*
Quandt family/*autos, industry*
Wilhelm and August Jr. von Finck/*real estate, banking*
Von Oppenheim family/*banking*
Prince Johannes von Thurn und Taxis/*land investments*
United Kingdom
Gerald Cavendish Grosvenor/*property*
Italy
Giovanni Agnelli/*autos*
Switzerland
Thomas and Stephan Schmidheiny/*industry*
France
Schlumberger family/*oil services*
Colombia
Pablo Escobar-Gaviria/*cocaine*
Ochoa brothers/*cocaine*

OVER $1 BILLION

Japan
Ken Hayashibara/*pharmaceuticals, biotechnology*
Kanichiro Ishibashi/*rubber*
Masatoshi Ito/*retailing*
Genshiro Kawamoto/*real estate*
Kiyofumi Moroto/*forestry, real estate*
Masao Nangaku/*property development, electric retailing*
Masahito Otsuka/*pharmaceuticals*
Kiyoshi Sagawa/*delivery service*
Takeo Shigemitsu/*candy making, retailing*
Hirotomo Takei/*publishing, real estate*
Renichi Takenaka/*construction*
Shoji Uehara/*pharmaceuticals*

Family/*main source of wealth*

Hideki Yokoi/*clothing manufacturing, real estate*
Korea
Chung Ju-yung/*heavy industry*
Lee Byong-chull/*trading, retailing, consumer electronics*
Taiwan
Chang Yung-fa/*shipping*
Hong Kong
Cheng Yu-tung/*jewelry, property development*
Kadoorie family/*utilities, hotels*
Kwok Tak-seng/*property development*
Lee Shau-kee/*property development*
Li Ka-shing/*property development*
Sir Yue-Kong Pao/*shipping, property development*
Singapore
Lee family/*rubber trading, banking*
Indonesia
Liem Sioe Liong/*trade, industry*
Australia
Robert Holmes à Court/*corporate raiding*
Kerry Packer/*media*
India
Birla family/*textiles, aluminum, autos*
Saudi Arabia
Bin Mahfouz family/*banking*
Juffali family/*construction, auto distribution*
Suliman Saleh Olayan/*construction*
Alireza family/*autos, finance*
Kuwait
Al-Ghanim family/*autos*
Lebanon
Rafik Bahauddin Hariri/*construction*
Safra brothers/*banking*
Germany
Erivan Haub/*supermarkets*
Grete Schickedanz/*mail order*
Werhahn family/*retailing, brewery, banking*
United Kingdom
Robert Maxwell/*publishing*
Sir John Moores/*retailing*
David J. Sainsbury/*supermarkets*
Sir Adrian and John Swire/*Far East trading, airline*
Samuel, Lord Vestey and Edmund Vestey/*meatpacking*
Italy
Benetton family/*clothing*
Michele Ferrero/*candy making*
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Switzerland
Maja Sacher-Stehlin and Paul Sacher/*pharmaceuticals*
Baron Heinrich Thyssen-Bornemisza/*finance*
France
Liliane Bettencourt/*cosmetics*
Serge Dassault and family/*aircraft construction*
Netherlands
Dreesmann family/*retailing*
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ACKNOWLEDGMENTS

This special report on world billionaires was edited and supervised by Senior Editor Harold Seneker. He prepared for the task of finding and verifying information about great wealth over the past six years by editing our annual Forbes Four Hundred—the richest people in the U.S. In the present task he had support from a number of FORBES staffers. Senior Editor Jean A. Briggs marshaled a phalanx of reporters for research, writing, checking; many of their bylines appear on individual vignettes. Much background was provided by Anne Mintz, director of information services, and her specialists, Adele Bendes, Cynthia Crystal, Janet Coleman, Clarita Jones and Naomi Prall, who identified sources and documents from around the world. Freelancers Sarah Baker and Ian Hersey scoured libraries, files and consulates. Reporter Claire Poole was so effective in eliminating near-billionaires she did herself out of a byline. Our bureaus in London and Tokyo made major contributions, as did William P. Barrett of our Houston bureau, a onetime Middle East correspondent who helped identify possessors of fortunes in that part of the world. Finally, it all came together at our art department, copy desk, proofroom and photocomposition—team efforts of the highest order gratefully acknowledged here.

COMING SOON: The Forbes Four Hundred—the 400 richest people in the U.S. Dated Oct. 26, our sixth annual compilation of U.S. wealth will list the four dozen or so individual Americans who qualify as billionaires.

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CHRIS B. HALL

6789

Deregulation has messed up the natural gas business, but you won't hear Seagull Energy squawking about it.

Sitting pretty

By Lisa M. Keefe

WITH PRICES LOW and the effects of deregulation still ripping open its once-tidy structure, the natural gas industry is a mess. But that suits Seagull Energy Corp., a Houston-based diversified natural gas company, just fine. Seagull lost $2.2 million, or 34 cents a share, last year on revenues of $177 million, after writedowns on the value of its oil and gas reserves. But Seagull Chief Executive Barry J. Galt welcomes the present disarray. "This," he says gleefully, "is the opportunity we've been waiting for."

Why so optimistic? Because the very pressures created by deregulation have also carved out a profitable niche for Seagull, and Galt has the management and financial wherewithal to make the most of it.

Seagull, which was spun off from Houston Oil & Minerals Corp. in 1981, is a gas gatherer—a gleaner of bits of gas production that are too small for big companies to lay a pipeline to. Seagull collects these scraps of gas and transports them in a package for a big pipeline company or industrial user, charging a hauler's fee.

Until recently, gas gatherers have been a little-regarded part of the industry. Big companies built their own gathering systems to the important fields and hired gatherers on the cheap to reach wells that didn't produce much. No longer. The larger pipelines, their profits squeezed by deregulation, have cut back on such capital-intensive projects—just as more wells are being drilled and prices are firming up.

Seagull has the means to reach out to new gas production. Even with its troubles last year, it had $31.2 million in cash flow on continuing operations, and its long-term debt is a manageable 42% of total capitalization. Thanks largely to a doubling of gas volume on its biggest pipeline, Seagull's operating profits from gas operations in the first six months more than tripled, to $2.2 million, although revenues in the gas division fell 8%, to $8.9 million.

Seagull extended its reach last month when Galt acquired Liberty Natural Gas Co. of Dallas, another gas gatherer, for $23 million in stock. Liberty adds 325 miles of onshore gathering lines to Seagull's 360 miles of mostly offshore lines, doubling the volume of gas Seagull moves, to 280 million cubic feet a day.

Just as important, in the long run, may be the fact that Liberty's chairman, James V. Walzel, has joined Seagull as president of the pipeline division. Walzel, 50, who grew up on a Texas cotton farm, is an old hand in the energy industry. He was president of Houston Natural Gas Corp. before the company was acquired by InterNorth in 1985. He left then to exercise an entrepreneurial bent with Liberty. "I think I may have personally bought and sold more gas than anyone else in the business," he says, lazily rocking in a boardroom chair. "Making gas deals is still where I feel I can add the most value."

Robert Kendrick/Onyx

James V. Walzel and Barry J. Galt
Opportunity in the disarray.

The cash for expanding Seagull's gathering network will chiefly come from the company's Anchorage-based gas utility company, Enstar Natural Gas Co. Buying Enstar, for $65 million, was Galt's first big move as chief executive, after he left the number two spot at The Williams Cos. in 1983. When Galt bought the utility, its greatest attraction—its cash flow—was out of reach. The Alaska Public Utilities Commission had restricted the amount Enstar could pass along in dividends to its parent company to just $1.7 million a year. Galt was certain, though, that the APUC could be persuaded to lift the restriction, and in 1985 the agency did just that.

Galt and Walzel have plans for the money. They may make another acquisition, perhaps within 12 months. The company also has a smattering of brokers' offices buying and selling gas on the spot market. When more big pipelines open up to transport gas, Seagull will be in position to market bundles of gas from different sources—just as it has for over a decade—including gas from its own reserves. Seagull also plans to spend some $12 million in 1987 exploring for new reserves, after spending only $3.4 million last year.

Seagull reported a loss of 2 cents a share in the second quarter, vs. earnings of 12 cents a share on continuing operations in the same period last year. The reason: hard times at Enstar, the largest division in the company. The utility's Anchorage market, growing rapidly three years ago, has weakened.

But Enstar's problems in Alaska will be more than offset by the parent's prospects in the lower 48. All things considered, analysts expect Seagull to earn $8.7 million, or $1.24 a share, on revenues of $215 million for 1987. Thus, at 22⅞ recently, the stock is trading at more than 18 times estimated 1987 earnings. Hardly cheap, but consider the leverage if gas prices should rise a bit. John E. Olson, an analyst for Drexel Burnham Lambert, reckons that if Seagull can add 1 cent per mcf to the price it gets for gathered gas, that could raise its earnings by 10 cents per share. There's more than one way Seagull can play the deregulation game. ■

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In 1857 Cleveland-Cliffs managers taxed shareholders to save the company. Management is now trying to repeat the trick, but the shareholders aren't going along.

Dilution control

By Peter Fuhrman

ONE HUNDRED AND THIRTY years ago, during the depression of 1857, iron ore producer Cleveland Iron Mining Co. was against the wall. To stay in business, management assessed a special $1-per-share levy against its stockholders. Shareholders howled. But the tactic helped keep the company solvent.

Today Cleveland-Cliffs Inc. is the country's largest independent producer of iron ore (sales, $295 million). But iron ore prices are badly depressed, and once again Cleveland-Cliffs, which provides around 45% of the ore to large integrated U.S. steel mills, approaches bankruptcy. Net losses over the last five quarters total $75 million. Dividend payments were discontinued last winter. In June the company failed to make $7 million in loan repayments. And cash flow may be insufficient to keep the company afloat beyond early 1988.

As if that were not bad enough, a nasty fight has erupted between management, led by Chief Executive M. Thomas Moore, and some large stockholders. At issue is how to restructure $126 million in overdue loans.

This debt is a problem not entirely of Cliffs' making. It arose when the company joined LTV, Sharon Steel and Wheeling-Pittsburgh Steel, all now in Chapter 11, to develop a giant iron ore mine in Tilden, Mich. Cliffs guaranteed its partners' shares of the obligation. After the partners declared Chapter 11, Cliffs got stuck servicing the entire $126 million debt, at a cost of $28.6 million a year.

This summer Moore completed negotiations with the eight large insurance companies that hold the Tilden debt. The creditors agreed to sell the debt to Cliffs for about 60 cents on the dollar. A good deal for Cliffs, provided it could raise the money. Bankers shied away from lending any more money to the company, so Moore turned to his stockholders. Last April, he put out a proxy asking permission to increase the number of authorized common shares by 36%. A share issue would follow, with the net proceeds going to the Tilden creditors. The heavy dilution, Moore argued, was a reasonable price to pay for solvency.

But some big shareholders disagreed. Vancouver-based fund manager Peter Cundill and San Francisco investment banker Donald Kennedy, who together held 18.8% of Cliffs' common, contended that Cliffs stock, then selling at 17, was worth nearly $40 a share, net of all debt. If Moore had his way, the share offering would dilute recalculated book value to $20 per share, barely above the actual selling price. Steep dilution, in other words, would remove most of the stock's potential increase in value.

Chas B Slackman

A large number of shareholders bought the Cundill-Kennedy analysis that management could restructure the debt without watering the value of their holdings. Facing an embarrassing repudiation by shareholders, Moore adjourned the annual meeting and later withdrew his proposal.

Moore refuses to discuss the issue with FORBES. But in early August he struck back. Without informing shareholders or even issuing a press release, Cliffs filed a prospectus with the SEC. The prospectus says Cleveland-Cliffs will indeed issue 4 million new shares. Without shareholder authorization, where will they come from? From shares that were set aside in February as part of the company's poison pill takeover deterrent.

The filing salted open shareholder wounds. David Bolger, a New Jersey investor holding 5.5% of Cliffs stock, is trying to halt the equity issue and oust the Cliffs board. Bolger points out that Moore, company Chairman Samuel Scovil and Cliffs' board members have been large sellers of Cliffs stock in the last two years. "They aren't acting like executives who have a lot of faith in their ability to keep the company going," he says.

What do the dissident shareholders want? No dilution, certainly. And less generous treatment of the Tilden mine project's creditors. Cliffs stock, reacting to the possibility of a tender offer, has been selling recently at a two-year high of 20. The creditors are benefiting most from the runup. If the share offering goes through at the stock's current price, the creditors stand to receive up to $110 million for their Tilden debt, which is 46% more than the amount they agreed to settle for this summer.

Kennedy and Bolger want Moore simply to stretch out the interest payments, sell more assets and await a turnaround in the iron ore industry. Failing such a restructuring, they note that Cliffs could use proceeds from asset disposals and still pay creditors the $75 million they agreed to. There is extra cash around. In August Cliffs reached agreement to sell its 93% share of a Michigan power plant. The sale will result in a $104 million net aftertax gain in 1987. The company's forest products division is also for sale.

But Moore, Scovil and Cliffs' other managers seem determined to sell the 4 million new shares, dilution be damned. It's a risky strategy. Since the end of July Kennedy has raised his stake to 10.3%, and he said last month that he may seek at least one seat on the Cliffs board. If it comes down to a proxy battle, the results of the original share proposal at April's annual meeting suggest that management will be embarrassed—and perhaps deposed. ■

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Some will go by force, others by choice, but closed-end managers are finding a quick cure for those chronic discounts.

Investor bites sleeping dog

By Richard Phalon

THE YOUNGEST son of the famous T. Boone Pickens, T. Boone Pickens III, likes to think of closed-end investment companies as "sleeping dogs." Pickens, 30 and as fervidly entrepreneurial as his father, is not one to let sleeping dogs lie. Along with allies at Sterling Grace & Co., a Manhattan brokerage, he just helped to nudge one of the great investment company success stories—the $700 million Japan Fund—from closed-end to open-end status. The transition wiped out the discount of at least $150 million between net asset value and market value at which the fund had been trading.

For Pickens and his allies, Oliver and John Grace, that meant a quick profit of at least $10 million. But all of the fund's shareholders also benefited, which helps explain why something of a countermovement is coalescing around closed-end discounts.

There have been at least five open-endings in the last decade. But the pace is speeding up. At the moment there are three working their way through the formalities, and more seem likely to follow. Significant (though not necessarily hostile) chunks of stock have turned up on the books of the France, Italy and Scandinavia funds, for instance. And there are more targets. Wall Street has pushed an incredible $12 billion of closed-ends out the door since January 1986, and most have sunk below issue price within weeks of being offered. Closed-ends trading at large premiums—the Taiwan Fund and the Malaysia Fund, for example—are rare. (A listing of closed-end discounts appeared in the Sept. 7 FORBES Annual Fund Survey. For more current figures check a Saturday or Monday paper.)

While Robert Theurkauf, president of the Japan Fund, now professes to be

T. Boone Pickens III

When it comes to sleeping dogs, this apple fell close to the tree.

"delighted" with conversion, it seems unlikely the fund would have moved to eliminate the discount when it did without the implied threat of a takeover by the Pickens-Grace group.

Managers usually don't like open-ending. Yes, they concede, shareholders who elect to redeem will get full value for their money. But what about those who elect to remain? Redemptions shrink the fund, operating costs tend to increase proportionally, and then there is the tax liability on gains the fund had to take to raise the cash needed to meet the drain of redemptions.

That's the theory. What's the current reality, as measured by what is happening to the Japan Fund? The fund did have to get a lot more liquid. Between March and June of this year, its cash position rose from 2.9% to 22.9% of assets, but selling into the runaway euphoria of the Tokyo market this year was by no means a bad strategy. In fact, the fund began moving to protect its gains last year, well before open-ending pressures started to build, by cutting back its holdings in Japan's hard-hit export stocks.

As to redemptions, it's too early to tell. But it is also hard to detect any alarm in Robert Theurkauf's voice when he says, "They've been running about as expected." He won't give numbers.

Pickens contends that managers get too comfortable with the reasonably predictable flow of advisory fees generated by money locked up in a closed-end fund and don't want the threat of redemptions to disturb their peace and slumber. In an open-end, the fee base could shrivel rapidly, especially if the fund concentrates on some erratically voguish sector of the market. Not surprising, then, that many of the new closed-ends are set about with anti-takeover defenses (staggered boards, supermajority voting requirements) to keep the likes of Pickens at bay.

These defenses may make managements feel secure, but they do little for investors. "Which fund would you pay more for?" asks closed-end expert Thomas Herzfeld. "A fund where you are locked in with little likelihood of takeover, or one where you've some chance of rescue if things don't work out?"

The trend to voluntary open-endings suggests that some managers are beginning to see the light. Equity-Guard Stock Fund, for example, comes fully equipped with takeover defenses. But it is converting after little more than a year of life (and a 20% discount), says Pete Thomas, an adviser to the fund, "because it's the only way we have of maximizing shareholders' investment." Emerging Medical Technology Fund says the same. Which, of course, is just how smart investors have always seen it. ■

Stay put? Or take the money and run?

Past results do not bode well for the performance of funds after an open-ending.

Fund	Opening date	Assets[1] ($mil)	Annualized performance[2] fund	Annualized performance[2] market[3]
Lord Abbett U.S. Govt Securities	7/78	$659	10.9%	11.1%
National Aviation & Technology	5/79	92	15.4	19.8
Stratton Monthly Dividend Shares	11/81	44	18.4	22.8
Phoenix Convertible	3/82	156	22.5	25.6
Nautilus Fund	4/85	21	2.5	28.8

[1]At 6/30/87. [2]From opening through 6/30/87. [3]For Lord Abbett U.S. Govt., market index is Merrill Lynch corporate/govt. index. For all other funds, market is S&P 500 stock index.

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Arab-financed Investcorp was behind that wildly profitable flip of Tiffany & Co., and a string of other U.S. deals. What's next on Nemir Kirdar's plate?

The boys from Bahrain

By Richard C. Morais

NEMIR KIRDAR. It's a name to remember if you're an insider looking for some buyout financing. Kirdar, 50, is an Iraqi national who earned his M.B.A. at New York's Fordham University and was graduated from Harvard's senior management program. While setting up Chase Manhattan's Persian Gulf operations during the 1970s oil boom, he spotted an opportunity for a kind of Michael Milken in a burnoose. "We wanted to be a bridge between Middle Eastern investors with excess funds,' Kirdar says, "and those companies in the West that needed new capital."

Kirdar started his Arabian Investment Banking Corp.—Investcorp for short—in 1982, with backing from 355 Arab businessmen. These included seven members of the Saudi royal family, H.E. Abdul-Rahman Salim Al-Ateeqi (Kuwait's former oil minister) and Bahrain's business strongman, Mohammed Abdulla Al-Zamil. When Kirdar sold Investcorp shares to the public in Bahrain, eager buyers joined mile-long lines at dawn. Even former Saudi Oil Minister Sheikh Ahmed Zaki Yamani bought the maximum 0.5% shares allowed. Investcorp raised the $26 million it wanted, but turned away a potential $36.4 billion more. On the fees it charges and equity percentages it retains, Investcorp has averaged a 21.9%-a-year return on equity since 1983. Return on average assets last year was 4.5%.

The recent flip of Tiffany & Co. was a beauty of an Investcorp deal. Against heavy competition, Investcorp and Tiffany's management bought New York's moneylosing jeweler from Avon Products in 1984 for a total cost of $150 million. After stripping out—and later selling—Tiffany's Fifth Avenue real estate, Kirdar placed $75 million worth of debt with General Electric Credit Corp. and placed another $15 million with Investcorp's clients. Of the $10 million worth of equity, 45% went to Tiffany's management and GECC, and 55% to Investcorp and its clients.

Ian Cook

Investcorp's Nemir Kirdar
"Too many overpriced U.S. issues."

The payout was out of this world. When Tiffany went public last May, the stake held by Investcorp's clients was worth $71 million—over six times their cost. Investcorp itself? It took a $5 million fee for structuring the deal, $7 million from selling Tiffany shares to clients, and made another $16.5 million when the real estate was sold for $66.5 million. (The price seems cheap, but air rights are owned by Donald Trump and Tiffany holds a long-term lease.) Add in the capital gains on the Tiffany stock the bank retained, and Investcorp earned $53 million (that's pretax and before some acquisition expenses) in three years.

Kirdar, deceptively soft-spoken, says he likes to finance the buyouts of old-line companies that have brand-name products and significant market share. Besides Tiffany & Co., Investcorp has cut deals for the managements of, among others, Dellwood Foods, Inc. (the New York dairy producer founded in 1889), Bertram, Trojan & Riva Yachts (makers of power boats), Peebles Inc. (the southern department store chain founded in 1891), and Mueller Co. (maker of fire hydrants since 1857). Investcorp has also bought into Philadelphia, Washington, D.C. and London real estate, and has begun money management operations from its Bahrain office.

Next on Kirdar's plate? A de-emphasis on Investcorp's U.S. dealmaking activities. "This year we are seeing too many overpriced issues in the U.S.," says Kirdar. He intends to pursue growth in Europe, where management buyouts are still relatively rare. With partners, Investcorp bought into Mallinson-Denny—the number-two U.K. timber group—and International Leisure Group—the second-largest U.K. tour operator.

Kirdar is hoping for a replay of the Tiffany & Co. flip in Chaumet et Cie., the elite French jeweler that was founded in 1780 and collapsed in scandal last spring. Chaumet et Cie.'s Paris receiver just appointed Investcorp to liquidate the jeweler's assets, allowing the bank first pick from the debris. The gem, Chaumet's luxury watchmaker, Breguet, will certainly go to Investcorp.

Kirdar's toughest challenge, however, is differentiating Investcorp from the thundering herd of well-capitalized banks and brokerage firms, all of which say they, too, want to sprout merchant bankers' wings. Kirdar insists he can compete with the Merrill Lynchs and Citibanks through "our ability to adopt or reject a proposal in a quick and responsive manner." Agrees Shearson Lehman Managing Director William Shutzer, a participant in several Investcorp deals: "When they make up their minds to do something, they go full bore. There is no question they are prepared to stand up and buy a whole deal."

Kirdar vows to retain this flexibility by holding the bank's staff at around its current level of 120, so as not to add an extra layer of management. Perhaps this will work. But thanks in part to Investcorp's success, the world's merchant banking field is getting very crowded, quickly. ■

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—Abraham Lincoln

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Stars

How a couple of young idealists eschewed the conventional life and made a lot of money without compromising their ideals.

Family affair

By Stanley W. Angrist

SHE WAS A VIVACIOUS New Yorker and passionate cook. He was a taciturn seventh-generation Vermonter, a skilled carpenter who still helped in his father's general store. Idealists both, they met in a counseling class in a small Vermont college in 1972, lived together for a year, got married in 1973, and set out to save the world.

Start a specialty food business? Build its product line to 46 items, its annual sales to about $3 million? How reactionary.

But then Robert Blanchard became discouraged with his social work program in St. Johnsbury, Vt. "One day I went to a meeting in Montpelier where a number of administrators sat around designing a form to manage the form they used in their programs," he recalls. "I decided they would have to do that without me." Melinda Blanchard also tired of her job with Planned Parenthood.

Meeting their mortgage payments was taken care of when their house burned down, and the Blanchards collected $8,000 in insurance money. But what to do with the $8,000? In 1975 the Blanchards started their first business: Board & Basket in West Lebanon, N.H., a store offering high-quality cookware and tabletop items.

"We outfitted our kitchen from Bloomingdale's, and we figured other people who lived around here would

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Robert and Melinda Blanchard
Out of this kitchen, a $3 million—and growing—business.

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like to do the same but without going to New York," explains Melinda. Board & Basket prospered, so much so that they were offered $150,000 for it in 1978.

The Blanchards took the money and headed for California. After moving around for eight months they returned because California didn't seem a good place to raise their young son, Jesse. While living in their camper, Bob Blanchard, using his carpentry skills, built a house on a 10-acre property overlooking the upper Connecticut River valley in Vermont, and looked for another business to start.

In 1980 they again followed their personal tastes and opened a store in New Hampshire carrying quality children's furniture and toys. The furniture did all right, but not the toys. They got out of the business three years later.

Once again fortune, in the form of a $4,000 tax refund check from their failed store, provided the startup capital for their next venture: bottling and peddling the sauces and salad dressings for which Melinda was making a name among friends and neighbors. "We put $2,000 toward our mortgage payments, and with the other $2,000 we went out and bought jars," says Melinda, who used her husband as guinea pig for her concoctions. "The thing I disliked most when we were starting out was when I would come downstairs at 6 a.m. and Melinda would ask me to taste six mustards and tell her which ones I liked the best," Bob recalls. "I really hated that."

By May 1983 Melinda had developed 26 items—8 salad dressings, 6 dessert toppings and 12 mustards. The Blanchards trekked out to the International Gourmet Products Show in San Francisco to market the line. "While I was busy in the kitchen," says Melinda, "Bob built display racks, so that retailers wouldn't have to buy fixtures if they ordered our stuff. They got a complete package from us."

Success. The Blanchards returned from the show with 75 orders averaging $300 apiece. Then reality sank in. How were they going to fill all those orders?

Most new businesses run on improvisation. Into the breach went son Jesse, then 9. He became Blanchard & Blanchard & Son Ltd.'s premier jar labeler. Six neighbors, without being asked or paid, helped fill and label the jars and pack them for shipping. Other neighbors, recalls Bob, "told us that if we needed working cash to get out the orders, here were two $5,000 signed checks that we could take to the bank. We cashed them."

The Blanchards' corporate suppliers were less helpful. Melinda remembers packing up Jesse for a trip to Boston to buy bottles and jars for their products. She made a list of wholesalers from the Yellow Pages and started calling on them. None wanted to talk to a small-timer like Blanchard. Finally, the president of one family-owned firm took her under his wing, explained quantity price breaks and other esoterica to her, and filled her meager order.

Says Melinda proudly: "Today I still buy from him, but now it's by the trailerload shipped directly to us from the manufacturer. Presidents of some of the firms that wouldn't talk to me in 1983 still call, trying to get our business. I tell them all the same thing—I hope I'll never have to buy a jar from you."

Flush with their success in San Francisco, the Blanchards went to the New York Gift Show in August 1983. This time they came home with $45,000 in orders from stores such as Macy's, Marshall Field and Neiman-Marcus. Melinda still savors the thrill. "Never in my wildest dreams did I imagine a national business."

At this point the Blanchards finally put together what they jokingly called a business plan, on a yellow legal pad,

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and went over to the bank in Hanover for a $75,000 working capital loan, secured by their house.

They bought a computer and rented a small building a few miles from their home and moved operations there. This was necessary because the local UPS truck driver had informed them that she would not come up the Blanchards' long, steep hill to make pickups when winter came, no matter how much mustard, salad dressing and dessert toppings they gave her. With 21 full-time employees and 500 accounts to service, Blanchard & Blanchard & Son Ltd. is now in the process of building new headquarters in Norwich, Vt.

In a world that is not exactly starving for new specialty food products, why have the Blanchards prospered? According to Ann Bromley, gourmet food buyer for Marshall Field in Chicago, the answers are service, attention to detail and more service.

"We have handled the Blanchards' products for three years and done well with them," reports Bromley. "They support them well with in-store demos and recipes. Their customers seem to be willing to pay a little more for something different."

Melinda still insists on personally checking the quality of nearly every batch produced and sometimes destroys a day's production when it fails to meet her standards. For attention like this, the Blanchards' fudge sauce was recently selected as the best in New England in a competition run by the *Boston Globe*.

This year Blanchard & Blanchard & Son Ltd. will gross around $3 million, and the Blanchards say they expect sales of $6 million to $10 million next year. Gross margins are around 50%—although not all that accrues to the Blanchards. In 1984 they brought in venture capitalists who have now invested more than $500,000 and own 68% of the company's equity.

Most new businesses run on improvisation. Into the breach went son Jesse, then 9. He became Blanchard & Blanchard & Son Ltd.'s premier jar labeler. Six neighbors, without being asked or paid, helped fill and label the jars, and pack them for shipping.

"We knew we could be sole owners of a small business, or minority shareholders in a sizable business," says Melinda. "We chose the latter."

Today the Blanchards' future growth lies in higher-volume outlets—more supermarkets and fewer gourmet and specialty shops. "We want our products used every day, not just for gifts and entertaining," explains Bob. This summer they cut their prices by as much as 27%, to compete more effectively with large competitors like Kraft, Heinz and Wishbone. A mail-order operation and institutional sales to restaurants and hotels are also on the horizon.

But sales and profits growth is only a part, and not the most important part, of this story. More important, the Blanchards' business supports a lifestyle envied by many and achieved by few, one in which business and family interests are integrated and complement each other, rather than compete. Son Jesse, now 13, travels with his parents to all the food shows, where he makes sample hot fudge sundaes.

Living two miles from their office, the Blanchards still use their kitchen as their primary R&D center and can take off to go skiing, canoeing or hiking. In a curious way they managed to blend their distaste for the conventional 9-to-5 life with a willingness to work hard and experiment. The end product was not do-goodism, but financial success. ■

Tinkerers

If a big market develops for stereo television programs, Chace Productions' Frederic Chace could be the right man in the right place with the right gizmo.

Audio alchemy

By Gail Buchalter

THE VILLAINOUS Blue Meanies are poised to let loose a volley of arrows on defenseless Pepperland in the climactic scene from the Beatles' 1968 film, *Yellow Submarine*. From behind a 28-track mixing board in his sound studio on Hollywood Boulevard, Frederic Chace turns a dial on a metal box to his left. Whoooossshhh! In full stereo, the sound of flying arrows fills the studio.

After ten days of painstaking mixing, Chace upgrades *Yellow Submarine*'s monaural sound track to stereo. The payoff? The film's owners, Warner Communications and MGM/UA, hope the payoff will be higher licensing fees each time the film is televised.

For decades television sound quality has been little better than what came out of early transistor radios. But in 1984 the Federal Communications Commission permitted TV stations around the nation to broadcast in stereo. Today an estimated 13% of U.S. households have stereo televisions, and shows like *Miami Vice* (which strongly resembles a music video) are boosting demand for stereo sets, which increases the demand for stereo programming—as the rise of color television spurred the growth of programs shot in color and, later, the colorization of old black-and-white films (FORBES, *Feb. 9*).

But what to do about the monaural sound tracks on all those old shows and movies?

Enter Frederic Chace. Shortly after the FCC decision, Chace, then a 38-year-old sound engineer, was hired by Los Angeles' independent station KTLA to dub 144 episodes of *The Love Boat* into Spanish. That set Chace to wondering. "I figured if I could turn monaural sound tracks into stereo," recalls Chace, "it would be like turning lead into gold."

Max Aguilera Hellweg

Chace Productions' Frederic Chace
Turning lead into gold?

An electrical engineering student at Oregon State University in the 1960s, Chace dropped out before completing his degree and drifted in and out of several engineering jobs before moving, in the mid-1970s, to Los Angeles, where he learned how to mix audio and video.

In 1984 Chace convinced two investors to put up $33,000 each to back his audio postproduction company, Chace Productions, Inc. Chace himself borrowed $50,000 and spent the next two years working on the prototype of the Chace Stereo Surround Processor.

In essence, Chace's system takes a monaural sound track and separates the sound into discrete elements, which are then stored in an Apple IIe computer. An engineer can then move elements—screeching tires, say, or breaking glass—from one channel to another to create a stereo effect. Dialog also moves from channel to channel. To keep Chace Productions afloat, Chace took out bank loans and sold 2,200 shares of IBM stock he inherited from his grandmother in 1985. Last July he bought out his partners for $120,000.

Chace has so far converted the sound tracks of nearly 50 feature films from mono to stereo. These include *Yankee Doodle Dandy*, *White Christmas* and *Harold and Maude*. Chace and his two engineers can convert the sound tracks of two films a week on their processor. Cost: $10,000 to $20,000 per film, depending on length and the complexity of the sound track. Chace says he has a contract with Twentieth Century Fox to convert films from its library. Warner Brothers, he adds, has contracted with him to work on its library of Clint Eastwood films.

By the end of this year, Chace hopes to have five stereo conversion rooms and projects his company's revenues will more than double in the current year, to around $2 million. He's projecting profits at $120,000, up from $64,000 last year.

Competition? Not much at the moment. Privately held San Francisco-based Dolby Laboratories concentrates on high-quality sound systems for new movies. At the low end, says Edward Ancona, NBC-TV director of postproduction, are less sophisticated synthesizers that create a stereo sound less realistic than Chace's system. But this could change quickly should the major studios and syndicators decide there is significant market demand for stereo versions of their old movies and TV shows. Taking no chances, Chace is copyrighting his computer software and has a patent pending on some of the hardware.

Back when he was 10, Chace used to broadcast to his neighborhood friends from his bedroom, using a low-power wire recorder transmitter. "I always wanted to invent something nifty," says the tinkerer today. Looks like he has. ■

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Sudha Messerly Pennathur at her California warehouse
A Marxist might denounce her, but she's bringing wealth to her native land.

What the developing countries need is more Sudha Pennathurs and fewer socialist planning economists.

Shamianas, anyone?

By Pranay Gupte

A LITTLE OVER two years ago, having just turned 40, Sudha Messerly Pennathur decided that she wanted more from life than making money in blue jeans. Born in India, living in San Francisco, she was making $150,000 a year as manager of the women's merchandise division of Levi Strauss. But how much higher could she go in this $3 billion company? And how much scope was there in the jeans business?

So Pennathur changed her life. She describes her new business this way: "I translate very elaborate ethnic designs into the very bold and contemporary looks that the Western world is looking for."

Pennathur sold one of her two California homes and plowed the $250,000 proceeds into her nascent business. She had already established an excellent network in the U.S. retail world. After tapping that network to assess her potential market, she flew to India to find artisans capable of producing her interpretations of what American consumers wanted.

Not for her those cute novelty items created by tribal weavers or silversmiths that are displayed in boutiques. Pennathur wanted to match American consumers' tastes with the skills of India's deep reserves of inexpensive artisan labor.

Within months Pennathur booked orders for jewelry and scarves worth $350,000, and she hasn't looked back. Sales of her corporation, House of Pennathur, will be $1.5 million for 1987—not a huge business, but already enough to finance growth and more than match her old salary—all on profit margins that run as high as 60% and with low overhead.

Pennathur's handcrafted Indian-made jewelry, scarves, handbags, artifacts and home furnishings are featured in such fashionable stores as Saks Fifth Avenue and Neiman-Marcus. Some of the 600 items that Pennathur turns out are exhibited and sold at the Metropolitan Museum of Art in New York, the Los Angeles County Art Museum, the Smithsonian in Washington, D.C. and the M.H. de Young Museum in San Francisco.

Pennathur—like Ralph Lauren—has no formal training in design. Explains she, "It's how creative you are in marketing that is much more important than how creative you are in design." Or, make what people want, not what you want to give them.

"Sudha is a creative wizard," says Richard Marcus, chairman and chief executive officer of Neiman-Marcus.

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Sources for statistics: Employee Benefit Research Institute, 1985; National Underwriter, 1986.

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s responded to Southern Pacific's changing needs tens of thousands of times over
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their own PC, about rates or to locate a shipment en route.

This kind of system flexibility and a continuing partnership with IBM have
abled Southern Pacific to grow through fiercely competitive times.

Since 1960, the number of major railroads in the U.S. has gone from over 100 to
ver than 20. And competition today is tougher than ever. But then, so is Southern
cific. After all, they've been in training with IBM for twenty years.

"She is able to take traditional products, give them her special twist and adapt them appropriately for the world's biggest market: America. She is her own buyer and puts together her own collection." Neiman-Marcus recently opened yet another display of her brand, "Designs by Sudha," in all three of its Chicago stores.

Pennathur understands the importance of theater in what she does. She has prodded India's lethargic bureaucracy into sending master craftsmen to the U.S. to give live demonstrations of their skills at the department stores where Pennathur's goods are displayed. This costs Pennathur nothing (the Indian government pays airfare, and the stores pick up local expenses), but the events generate a great deal of attention.

A Marxist would look at Pennathur and denounce her as a clever merchant capitalist ripping off Indian peasants. Which is why development economists in droves are throwing out *Das Kapital* and returning to *The Wealth of Nations*. The money she pays these underemployed artisans does more to raise their standard of living and enhance their self-respect than all the programs ever devised by New Delhi bureaucrats and politicians. Pennathur pays her artisans on a contract basis. She claims they can earn between $500 and $1,000 a month—a formidable income in India, where $100 a month is considered a fairly good salary, particularly in rural areas.

Look at what's happening here. The Indian craftsmen have what amounts to a foreign exhange override on Pennathur's success. Less tangibly, but more important, linkages—knowledge, contacts, information—are being established between a developing country's producers and a developed economy's consumers. Were it not for Pennathur, how would the craftsmen of Jaipur know what appeals to the women of Park Avenue and Russian Hill?

England's venerable development economist Lord Bauer has noticed something similar in his investigations of the origin of cash crops in former British colonies—rubber in Malaysia, for example, and cocoa in Ghana. The planting of these crops was the result of 19th-century English businessmen looking for profit, not of some national planning board. Had the contacts between these colonies and the industrial countries been allowed to develop, who knows how much more developed the developing world might now be?

Pennathur and aide examining inventory
From jeans to jewelry, and no looking back.

Pennathur—no economist—understands all this. That is why she prefers dealing directly with artisans themselves, bypassing established Indian jewelers and handicraft suppliers, who not only add their markups, but also are largely ignorant of Western tastes. Language is no problem: She speaks a half-dozen Indian languages fluently.

Are there no cultural barriers, no inhibiting traditions? Of course there are. "At first I encountered resistance from many artisans," she says. "They were simply unfamiliar with meeting Western-style deadlines, or they couldn't understand why I chose a color that wasn't used traditionally. Often, Indian artisans think that the more detail on a piece of jewelry, the more beautiful the product. And so the piece is sometimes overdone—and unsalable in the West. I always say to my artisans, 'Trust my judgment.' We haven't gone wrong yet."

Pennathur came up with a new design for a traditional Indian *meenakari* necklace, consisting of enamel work done on silver and an overlay of 24-karat gold. A grizzled old artisan in a Rajasthan village in western India insisted that the garnets and cubic zirconian stones be set in an enamel of traditional green, turquoise and beige. Pennathur countered that a necklace with so many colors would look too busy for American tastes and that, in any case, many American women didn't like green in their jewelry because it made their pale skin look yellow. Pennathur wanted the enamel work done entirely in maroon. The artisans gave in, and more than 500 of those *meenakari* necklaces have since been sold at $250 each. The artisans are now both richer and more cosmopolitan.

Pennathur is obviously making a good living. So are the artisans. Pennathur travels relentlessly from her plush San Francisco home to the remote hamlets of India, Morocco, Mexico, South America and the Far East. She looks for Third World materials, patterns and products that can be taken back to her Indian artisans and turned into U.S. imports. She has integrated intricately inlaid designs from Moroccan leather chairs into American-style dining room furniture. Lapis, black onyx and pink quartz from China, Taiwan and Hong Kong have found their way into pendants and large brooches made out of beaten silver in Bombay. The colorful geometric patterns of *shamianas*, or wedding tents, were adapted for dainty handbags, big beach bags, bedspreads and tablecloths. And so on.

It is reassuring to note that work like Pennathur's has not gone unnoticed by development agencies. One of the more recent entrants into the artisan-export business is Honduras, whose artisans now sell more than $150,000 in earthenware, terra-cotta planters and mahogany and corn-husk goods to U.S. specialty stores. Credit for this goes to a Farmington, Conn. organization called Aid to Artisans Inc. Clare Brett Smith, president of the ten-year-old nonprofit company says that it received a $500,000 grant from the U.S. Agency for International Development to develop artisan industry in geopolitically strategic Honduras. Aid to Artisans ensures that 71% of the wholesale revenues from sales in the U.S. goes back to the Honduran artisans. The organization is currently working with artisans in Indonesia, Somalia and Belize to create specific items to meet the requirements of the American consumer.

"The key thing," says Sudha Pennathur, "is to keep our fingers and ears on the pulse of the marketplace. Important for her. Bread and butter to the developing world's masses. ■

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Both Uncle Sam and stronger timber prices had a hand in Bohemia Inc.'s turnaround. But so did a smart, nimble management.

Almost out of the woods

Bohemia Inc. President Strayer Pittman
Optimistic after "four years of hell."

By Marc Beauchamp

"FOUR YEARS OF HELL" is how Strayer Pittman, the cigar-chomping president of forest products producer Bohemia Inc., recalls 1982-85. High interest rates crushed the domestic housing and construction markets. Cheap timber from the South and Canada further eroded finished wood product prices. The muscular dollar made U.S. wood products less competitive abroad. From 1982 to 1985 Bohemia, based in Eugene, Ore., racked up operating losses of more than $16 million. Long-term debt rose 150%, to $47 million.

Bohemia wasn't alone. Everyone in the forest products industry was hurt during those four long years. But at Bohemia the wounds were close to fatal: With 1987 sales of $223 million, Bohemia is a twig compared with sequoias like Weyerhaeuser or Georgia-Pacific. It is dependent upon public timberlands for 70% of the logs it runs through its mills each year.

Falling timber prices should have lowered Bohemia's raw material costs, but Bohemia, like many tree-poor western wood products companies, was stuck with expensive long-term contracts to buy timber from state and federal lands signed in happier times only a few years before. Bohemia's potential losses on costly government timber could have more than wiped out its net worth if not for help from Uncle Sam. Under a 1984 bailout program (FORBES, *Dec. 17, 1984*), Bohemia paid $2 million and saved itself from an estimated $75.8 million in potential losses.

But credit Bohemia's scrappy management for making the most of the reprieve. In 1985 it contracted out its logging operations, saving $3.5 million a year. It won give-backs from its labor force (about half of which is unionized), reducing hourly rates (plus fringe benefits) from a peak of $16.88 in 1985 to $14.21 today. Two inefficient sawmills and a plywood plant were liquidated. Chief Operating Officer Richard Tinney, who bears a resemblance to his fellow Oregonian,. author Ken Kesey, says: "We took a lot of flak from the local press. But we were one of the first companies to recognize you had to either close plants down or get crews to adjust their wages."

As interest rates fell, Pittman renegotiated Bohemia's debt, reducing interest rates from 12% to about 9%. But more important, Pittman wasn't just surviving bad times. He was spending money to ensure that when the turn came, Bohemia would be able

Chief Operating Officer Richard Tinney
"We took a lot of flak" for closing plants.

Bohemia's potential losses on its high-priced government timber contracts could have wiped out its net worth if not for some help from Uncle Sam. Under a 1984 bailout, Bohemia paid $2 million to save itself from $75.8 million in losses.

to take advantage of good times. More than $50 million went to buy veneer, plywood and fiberboard plants in Oregon and California, and the most advanced production equipment.

Most investment went into California, a strong market for Bohemia's value-added wood products—laminated beams, particle board for flooring and cabinets, fiberboard for furniture—which now represent about a quarter of sales. Bohemia is especially proud of an $8.8 million cogeneration facility at its Lincoln, Calif. sawmill, which provides power for the mill and for resale to Pacific Gas & Electric Co.

With the return of a more robust market for its products, Bohemia is now positioned in several fast-growing market niches. Its laminated beam sales, for example, are growing 21% a year. With plywood prices more stable than lumber prices, Pittman's purchases of those plywood mills is looking especially smart. Bohemia has doubled plywood output since 1983.

Bohemia also got help from the falling dollar. Exports, which rose 25% last year, now account for 11% of sales. More help arrived last year from Uncle Sam in the form of a 15% duty on Canadian lumber, which further bolstered domestic prices.

All this good news and hard work has begun to show up in Bohemia's income statement. For the year ended Apr. 30, profits rose more than elevenfold, to $9.4 million, on a 12% sales increase. For the first quarter of the current year, profits are up 25%, revenues 10%. Long-term debt has been whittled down to 27% of total capital, from 34.5% in 1985. Bohemia has resumed paying a dividend after a nine-quarter hiatus. On Wall Street, institutional ownership has grown to 47%, up from 30% in 1984.

More remains to be done. The company has adequate working capital and lines of credit to finance this year's projected $17 million capital-spending budget, much of which will go into an overhaul of its still-inefficient Oregon sawmill operations. Says Tinney, 48, who succeeded 63-year-old Pittman as chief executive Sept. 28: "We've got to remain an efficient low-cost producer and develop our product mix to handle market cycles."

With all this going for it and a modest stock price (recently 20, below its book value of $21, or 10 times earnings), is Pittman worried about Bohemia's staying independent? "Nobody has approached us at this time," he answers gruffly. Saul Steinberg owned a stake in Bohemia in 1979-80 but sold it. A takeover wouldn't be easy. Directors and insiders control 20% of Bohemia's 4.6 million shares. In recent years the company has erected the standard takeover defenses. A recently enacted antitakeover amendment to the Oregon commercial code provides another barrier.

But Bohemia's best defense may be the remaining 277 million board feet of high-priced government timber that it is still obligated to cut. Should wood prices again collapse, Bohemia could suffer. But if, as now seems more likely, prices remain stable or increase, Bohemia will be almost out of the woods. Thus someone willing to take a gamble on the timber market and an amicable outcome to Bohemia's government timber contracts could pick up a stake in one of the industry's most efficient producers at a bargain price. ■

Good News:

Over the past 13 years, American car makers have doubled their average fuel economy.*

We think that says something for American technology.

*Source: National Highway Traffic Safety Administration.

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Marketing

Edited by Jeffrey A. Trachtenberg

Market researchers have all the numbers they can possibly crunch. What they need is insight. Hence, the return of focus groups.

Listening, the old-fashioned way

SIX PEOPLE around a table eating a pizza is a party. Six people around a table talking about eating a pizza, as market researchers watch through a one-way mirror, is a focus group.

Focus groups are almost as old as the ad business. Their popularity waned as sales data compiled by in-store optical scanners began pouring in. Focus groups are in vogue again largely because big companies and their agencies have all the sales data they can stand. What remains in short supply is insight—why customers buy, or don't buy, their goods and services. "Eleven years ago I had three competitors; now I have almost a dozen," says Nancy Opoczynski, president of New York Focus, a Manhattan-based company that provides focus groups and facilities for such agencies as Young & Rubicam and J. Walter Thompson.

Who is using focus groups? Almost every Forbes 500 company, including General Motors, AT&T and Xerox. American Express used the technique last year to help attract new members while increasing purchases made by current cardholders.

First, the marketing department developed ten ideas it believed would make American Express more valuable to the customers. They turned to focus groups to reduce the ten to a handful. "We knew we would have to do some quantitative research, either phone surveys or random interviews," says Joan Bonnette, vice president of consumer advertising. "But we wanted to make sure, first, that we weren't testing ideas customers had no interest in."

Result: a buyers' assurance program that extended manufacturer warranties on products that were bought with an American Express card. The program increased card usage as well as card sales.

Focus groups work by paying participants—from $35 for secretaries to $150 for doctors—to sit in a conference room and talk. Agency people and clients watch through a one-way mirror. "The purpose is to see consumers firsthand," says Judith Langer, a market researcher. "You don't make big decisions on the basis of focus groups. What you get are insights into emotional responses that you don't get from statistical analysis."

The Buick division of General Motors used focus groups to help develop the Regal two-door, six-passenger coupe being introduced this month. The effort began more than five years ago, when Buick held about 20 focus groups across the country and asked what features customers wanted in a new car. Who were the customers? Those wealthy enough to afford a $14,000 price tag, then about $1,000 to $2,000 more than the average new car, which meant annual incomes of $40,000 or above. All the participants, gathered in every major geographic region of the country, had purchased new cars within the last four years.

"What these groups told us was that the customers wanted a legitimate back seat, at least 20 miles per gallon and 0-to-60-miles-per-hour acceleration in 11 seconds or less," says Jay Qualman, Buick's general director of advertising. "They wanted a stylish car, but they didn't want it to look like it had just landed from outer space."

After Buick engineers created clay models of the car and mock-ups of the interior, the company went back to yet another focus group of target buyers. What the customers didn't like were the oversized bumper and the severe slope of the hood. What they did like were the four-wheel disc brakes and the four-wheel independent suspension.

Focus groups also helped to refine

A new Buick Regal print ad
"Stylish, but not from outer space."

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Six frames from an American Express TV commercial
Focus groups helped boost card sales and usage.

Focus groups can be biased, you can't make sales projections from them, and their insights are not unfailing. Twentieth Century Fox used a focus group to test the movie title Star Wars. The response was overwhelmingly negative. George Lucas, though, liked it, and the studio supported him.

the advertising campaign for the Regal. Participants were first asked which competing cars most resembled the Buick in terms of image and features. The answer was Oldsmobile, a sister General Motors division. "That made us realize we had to separate the two in the minds of the public," says Qualman. "So we repositioned Buick above Oldsmobile. How? By focusing on comfort and luxury features such as full six-passenger seating, wood grain instrument panels, velour-type fabrics and special stereo systems. We also learned that the driving experience was more important to Buick owners."

Buick and its agency, McCann-Erickson, created 20 ad concepts, which were later narrowed down to 4. Focus groups were next shown various TV commercials and printed ad slicks. Participants then voiced their reactions as to which were most effective. "Among the things we were concerned with was selecting a music sound track that would attract younger customers without turning off their parents," says Qualman. The theme: "The new Buick Regal. There's nothing like it on the American road."

"This kind of research is not statistically valid," Qualman adds. The information it produces, he says, cannot be projected against all of Regal's targeted customers. "But it lets the customers express their feelings about your product. You can go into depth of why they feel the way they feel."

Focus groups can be biased. In any group of eight to a dozen people there is often one "expert" who tries to dominate the discussion. Unless the moderator keeps that person in check, the results are unreliable.

And you can't make market projections on them, says Charles Mittelstadt, manager for the Center for Advertising Services, a division of the Interpublic Group of Companies. You can quantify focus groups in terms of how many were favorably disposed toward the product, he says, but that cannot be transformed into market share data.

Nor are the insights that result from focus groups unfailing. When Twentieth Century Fox and director George Lucas were preparing to release *Star Wars* in 1977, the company used focus groups to test the movie's title. The response was overwhelmingly negative. "They said they had no interest in seeing a picture with the word 'star' in it, because that suggested science fiction," says Sidney Ganis, the former marketing vice president of Lucas Films who now heads marketing at Paramount Pictures. "Science fiction wasn't in vogue then. Also, they didn't want to see a movie about war; Vietnam was still fresh. George, though, made it clear he liked *Star Wars*, and the studio supported him."

Despite such limits, expect the number of focus groups to increase. Today's in-store scanners produce extraordinarily detailed reports of what customers buy, but the marketing edge is knowing why.—**J.A.T.**

BUT ALSO CHEMICALS, PLASTICS...

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Edited by Gary Slutsker

There's a new solution to America's mounting plastic rubbish. Ready for . . .

Degradable polymers?

By Jan Parr

FROM MYKONOS to Mustang Island, the world's beaches are being buried under the plastic junk of the consumer age—bottles, bags, cups, wrappers, sacks, you name it. The stuff not only floats forever, but it won't rot or decompose, no matter how hot the sun. When the tide goes out, away goes the garbage. When the tide returns, back it comes, often including new crud dropped into the sea months earlier on the other side of the planet.

What to do? One stopgap solution would be to follow the lead of some determinedly tidy folks around Corpus Christi, Tex. who spent much of this summer trudging along Gulf beaches in organized cleanup brigades. Another solution would be to take a cue from states like Oregon and New Jersey, which have proposed bans on the sale of such nondegradable plastic products as tampon applicators and six-pack beverage rings.

But the best idea of all would be to come up with a plastic that actually rots. Such a solution may be at hand. The key turns out to be plain old everyday cornstarch. Mix in enough of it and even the heftiest trash can liner will disintegrate after maybe five years in the elements. Compare that with the 200 years scientists figure it will take for polyethylene to start to decompose.

This discovery, a product of research in both the U.S. and U.K., traces to the mid-1970s when university researchers working for a British wallpaper company began searching for a way to make plastic bags with a satinlike texture. After trying various additives, the researchers discovered that cornstarch made plastic bags easier to open and silkier to the touch. Alas, under new management the invention lay unexploited for years, un-

Don Fisk of Agri-Tech Industries in an Illinois cornfield
Plastics that decompose in years instead of centuries?

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Peter Sibbald/Picture Group

Wayne Maddever, manager of business development at St. Lawrence Starch
"Very interesting, but we'll get back to you when we have to."

til a Canadian entrepreneur heard about it at a cocktail party and eventually interested executives at a Toronto milling concern, St. Lawrence Starch Co., Ltd.

Meanwhile, an erstwhile Illinois farmer named Don Fisk had learned of a similar technology being developed by scientists at the Agriculture Department's Agricultural Research Service Laboratory in Peoria. Researchers there were looking for new commercial uses for corn, no small need in the Midwest, where grain surpluses have become a way of life. Thus, after securing exclusive commercial rights to the technology, Fisk recruited a team of seven engineers and has now gone into business as Agri-Tech Industries, looking for ways to market the cornstarch/plastic recipe.

The Agri-Tech and St. Lawrence products share a similar basic technology. Without the addition of cornstarch, plastic is virtually immune to the natural processes of decay. But when mixed with oil-based plastics, the long chains of glucose molecules (known as polymers) that make up cornstarch become interspersed within polymers in the plastic. Then, once exposed to wind, weather and soil microbes, the cornstarch polymers literally become food for any fungi or bacteria in the surrounding water or earth. As the cornstarch is eaten, the plastic's polymeric chains are broken down into smaller and smaller units.

The difference between the two products is largely one of proportion. Fisk's technology combines plastic and cornstarch in roughly equal mixture, whereas the St. Lawrence process uses only about 6% to 15% starch. Basically, the more cornstarch in the mixture, the weaker the plastic but the faster it degrades.

Although the market for degradable plastics is small now, the potential is huge as more environmentally concerned governments place restrictions on the sale of nondegradable plastics *(see box, p. 210)*. Hence, the search for new technology: While studying the enzymes involved in insect molting, a Boston College researcher claims to have discovered a way to make a high-tensile strength, biodegradable plastic out of shrimp and crab shells.

So far, big plastics producers like Dow Chemical and Mobil have resisted biodegradable plastics generally, and it's not hard to see why. They have invested fortunes in marketing such consumer products as Ziploc plastic bags and Hefty trash can liners on the basis of their strength and indestructibility. So why now introduce a new generation of products specifically designed to be less durable? Says Ian Gray, president of St. Lawrence Starch, the $80 million (Canadian) company that so far is the only firm selling the biodegradable plastic additive in the commercial market, "So many plastics people tell us, 'That's very interesting. When we have to do something, then we'll know who to talk to.' "

Big manufacturers are concentrating instead on developing "photodegradable" plastic that takes from two months to two years to degrade completely from exposure to sunlight. Webster Industries of Peabody, Mass. has been supplementing its national plastic-bag lines with a regional brand of photodegradable trash bags for almost five years. And the product costs about 10% less than name brands and is about comparable to store brands. Imperial Chemical Industries, the U.K. chemical giant, plans to start making biodegradable plastic beverage bottles for sale in Europe this year.

Lines of Communication

Estimates are that 85,000 miles of new trunk fiber optic telecommunications cable will be laid in the United States by mid 1988. That's a lot of trenching.

To cut through thousands of miles of earth and rock, many manufacturers rely on tough carbide bits made by Fansteel's VR/Wesson, Lexington as original equipment on their trenching machines.

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Yet while big American companies drag their feet, biodegradable plastics are already taking hold. Plastic shopping bags made by a number of small European-based plastics companies using St. Lawrence's Ecostar mixture are now being toted by shoppers in cities from London to Milan. Within a few months, Canadian shoppers will be able to buy Ecostar garbage bags made by Guardian Poly Industries, a Montreal outfit. The bags will be sold under the Bio-Guard brand name at a price of about $1.75 for a pouch of ten, comparable with top-of-the-line bags such as Glad. St. Lawrence is also awaiting permission to begin distributing degradable bottles for its own popular national consumer brands, Bee Hive corn syrup and St. Lawrence corn oil.

If this keeps up, maybe someday it will be fun to go to the beach again.

Meanwhile, on the legislative front . . .

While U.S. officials have only lately begun clamping down on plastics, Europeans have been at it for years, most recently this summer when the Italian city of Florence banned all plastic food containers from sale within city limits.

Since 1977 Denmark has banned nonrecyclable plastic and glass beverage containers and PVC, which produces dioxin, a deadly gas, when burned. In West Germany, many communities teach consumers to avoid products with unnecessary packaging. And in Norway, stores charge customers for plastic shopping bags to discourage their use. Over a year ago Italy passed a law requiring that all plastics used in nondurable goods be degradable as of 1991.

In the U.S., where plastics account for roughly 10% of all packaging waste, legislative efforts to deal with the disposal problem are only beginning to be addressed. So far this year, 12 states* have banned or proposed bans on nondegradable plastic products ranging from egg cartons, tampon applicators and diapers to plastic grocery bags, liquor bottles and beverage rings that keep six-packs together.

On the federal level, ten degradable plastics bills and a concurrent resolution are pending before Congress. In February Representative Gerry Studds (D–Mass.) introduced an omnibus plastics bill (HR 940) that would allocate a paltry $6 million for the study of degradables. In the Senate, John Chafee (R–R.I.) has introduced a bill that would impose a national ban on nonbiodegradable six-pack rings. The bill also directs the Environmental Protection Agency to launch a study on the feasibility of requiring that all plastic products posing a threat to fish and wildlife be degradable or recyclable.

The new legislation is partly a reaction to growing concern over the dangers posed to marine life by plastic debris in the ocean. For example, commercial fishermen around the world discard monofilament plastic nets at sea after a year's use, killing untold millions of fish, turtles, seals and birds. The Senate Foreign Relations Committee is discussing affirming the U.S. as a signatory to annex 5 of the United Nation's 1973 Marpole Convention. Annex 5 would prevent the open-ocean dumping of plastic. U.S ratification would trigger worldwide enforcement of that ban. And a separate bill has been offered in the Senate that would make dumping of plastic wastes in U.S. territorial waters a federal offense.

In reaction to all this, U.S. plastics manufacturers are banding together to fight for nondegradable plastics. The Society of the Plastics Industry, which includes manufacturers such as Dow Chemical Co. and Shell Chemical Co., maintains that although degradable plastic technology exists, in most instances reduced performance characteristics make the products undesirable. Instead, the group advocates wider use of incineration and recycling.

In June the society put out a white paper attacking degradable plastics. Among other things, the society charges that degrading cornstarch/plastic produces excessive quantities of methane gas, which can contaminate groundwater. But the trade group's argument won't get far. Methane gas occurs abundantly throughout nature and is routinely flared off in most modern landfill operations anyway.—**Michael Fritz**

George Tuley

Cleanup brigade on the beach at Padre Island off Corpus Christi, Tex.
If it's good enough for Florence, will it play in Washington?

* *California, Louisiana, Maine, Maryland, Massachusetts, Michigan, New Jersey, New York, North Carolina, Oregon, Rhode Island and Washington.*

In the beginning, fabled designer Coco Chanel orchestrated the development of each fragrance that bore her name and personally inspected every stitch of her innovative fashions shown in her Paris rue Cambon salon. The House of CHANEL is now a world-renowned institution, but its commitment to quality, service and the small but vital detail remains unequalled today.

CHANEL still depends on personal craftsmanship to produce many of its famous products. Those processes that can be entrusted to modern methods are entrusted to Unisys.

"It's a perfect marriage of high tech and high fashion," says Prakash Trivedi. His Unisys team worked with CHANEL to develop an on-line inventory and manufacturing system that enables The House of CHANEL to monitor production standards and to keep track of goods that are shipped to stores and CHANEL Boutiques across the country.

"Efficiency is the key word." Manufacturing specifications for the company's famous perfumes, including CHANEL Nº 5, are stored in Unisys microcomputers in Piscataway, N.J. The microcomputers also are used to evaluate perfume samples as they come off the assembly line. A mainframe system then monitors the manufacturing and distribution of products.

This manufacturing data is immediately available to company executives, along with information from microcomputers in CHANEL Boutiques across the country, providing an up-to-the-minute inventory database. It used to take three to four days for this information to reach executives.

"By having the data to make better, more-informed decisions, profits have increased while the high level of product excellence and customer service has been maintained," says Trivedi.

CHANEL has long been familiar with the sweet smell of success. "And now with Unisys, CHANEL has found that computers are very much in style."

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Prakash Trivedi,
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Forbes, Oct. 5, 1987

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Personal Affairs

Edited by William G. Flanagan

Arizona bound? Here's a quick and painless guide to some of the best Native American art to be found there.

American Fabergé

By Anne Matthews

LIKE THE VAST wilderness state that is its wellspring, Arizona's Native American art scene rewards the careful eye.

The whole Southwest brims these days with Indian work, most of it honest (if uninspired) traditional handicraft. Some of it, predictably, is even made in Taiwan. But the work of a handful of Native American artists in the state stands alone. Over the last decade, these Navaho and Hopi masters—weavers, goldsmiths and sculptors—have been creating works of extraordinary elegance and quality, coveted by collectors from Manhattan to Munich to Abu Dhabi.

The works are not your stodgy sunburst pins or heavy concho belts, mind you. Artists like goldsmith Larry Golsh or jeweler Charles Loloma may still pair silver and turquoise or coral and lapis lazuli. But like all the choicest "Navahopi" art of the Eighties, it's the innovative design that counts. Says Paul J. Smith, director emeritus of New York City's American Craft Museum, "They have attained a whole new aesthetic level, keeping the vital connection with their past, yet transcending it. Their style is now fully international."

Prices of important pieces by Arizona's dozen fine-craft stars are high. A yard-long textile or a palm-size gold vessel can fetch $10,000 and up, if the name is right. A museum-quality chant rug (10 feet long and two years in the making from sheep to shop) by a famed Navaho weaver like Elsie Wilson or Daisy Tauglechee can be acquired for roughly $30,000.

Arizona's master artisans rarely exhibit outside their home state. The world's curators and collectors trek to Phoenix, Scottsdale and Sedona for a chance at an important Loloma neckpiece, an intricate carving in alabaster by Ute/Navaho sculptor Oreland Joe or a Rosie Hubbel rug. For some masterpieces, buyers will wait up to five years. It's worth the wait, argues Lovena Ohl, doyenne of the Southwest's Native American art scene. "This is, after all, the modern equivalent of Fabergé," she says, "and our only real American art."

Ellen Napiura, Sotheby's consultant for Native American objects and architect of the wildly successful recent sales in New York City of classic southwestern artifacts, adds the standard caveat for those out to buy (as well as browse among) works of any period: "Compare pieces, compare prices, decide what you truly like, then relentlessly train your eye."

Your education should begin at the newly expanded Heard Museum, which houses a collection of Native American art, in Phoenix. The Heard is Phoenix' Metropolitan, and a seat on its board is a prized social plum. One occurred when Sandra Day O'Connor moved east.

Along with the Millicent Rogers Museum in Taos, the Heard boasts the world's most comprehensive collection of classic southwestern arts and offers a painless introduction to

George Erml

Bracelet by Hopi jeweler Charles Loloma
"A vital connection with the past."

Donna Crocker/Southern Exposure

Dan Garland in his shop in Sedona, Ariz.
The Navahos want a middleman.

the region's stylistic complexities. Forty-five minutes spent reading Heard wall labels before tackling the Scottsdale art market—or southwestern social conversation—can be the soundest investment of any stay in Arizona.

The Heard has a large museum shop that offers a lot more than cheap imitations. It is a highly respected outlet, in particular, for reasonably priced Navaho wall hangings, starting at about $350.

For jewelry and metalcraft, the Southwest's finest gallery is Lovena Ohl, about 20 minutes away, in Scottsdale. Tucked amid the elegant art galleries on North Marshall Way, this polished showcase is the exclusive dealer for many of the top Native American jewelers, including Loloma, Golsh and Harvey Begay. Lovena Ohl herself is always on hand—kind, patient and endlessly enthusiastic about southwestern design.

Former buyer for the Heard museum shop, Ohl earned her reputation the hard way, bumping across the reservations for 40 years by car, looking for talent. Under her gentle encouragement, a number of younger craftsmen have begun experimenting with formerly off-limits materials and unexpected combinations—juxtaposing platinum and diamonds, for example, with the more familiar coral, jet or Lone Mountain turquoise.

One hundred twenty miles north of Scottsdale is the beautiful little town of Sedona, surrounded by red-rock canyons and crammed with art galleries. Chief among them is Garland's Navaho Rugs, the world's largest and most respected outlet for contemporary Navaho weaving.

To celebrate centuries of tribal tradition, walk down Garland's two long aisles, each piled and hung with Navaho rugs in all the colors of the high desert (soft gray, pale yellow, olive, brick red), their geometric designs bearing names like Wide Ruins and Burnt Water, Ganado and Yei-be-chai.

For all its expensively rustic decor, Garland's is a true trading post, run by several generations of Navaho-speaking experts who deal directly (and daily) with the reservation's finest weavers. As many urban collectors discover to their chagrin, you can traverse Arizona's back country all you want in search of undiscovered masterpieces, but you won't find any. The best Navaho weavers spend years on a design, cut it off the loom, load up rug and family and drive directly to Garland's in Sedona.

What elevates a Navaho textile from good to great? "The best weaving," explains Dan Garland, "makes visible the basic Navaho principle of perfect harmony, or *hozho*—which means being in balance, walking in beauty, surrounding yourself with beautiful things."

Tom Ives

Lovena Ohl and grandson Bill Faust
Kindness, patience, enthusiasm.

Paradoxically, says Garland, today is both Navaho weaving's golden age and its time of greatest peril. Many master weavers are producing work of extreme sophistication but have no successors. The art passes from mother to daughter, he notes, "and a lot of the young girls are moving off the reservation."

The Garland family's most recent venture is Garland's Indian Jewelry, a rambling log-and-flagstone affair situated 4 miles north of Sedona. It is in the heart of Oak Creek Canyon (considered by many Arizonans the state's loveliest). You will have to tear yourself away from the red-rock scenery to investigate the Indian-made wonders within. As they do with textiles, the Garlands make a real effort to single out rising, as well as recognized, reservation talent. And the prices (after Scottsdale, at any rate) can be surprisingly reasonable. Paul Padilla's necklaces, for example ($1,000 to $1,500), are especially striking avant-garde interpretations of the vanishing art of *heishe*, very fragile strands of hand-rolled, hand-strung bone, turquoise and coral beads.

In this increasingly noisy, indiscriminate arena of collecting, Garland's, the Heard and Lovena Ohl remain sanctuaries of selectivity. Not every visitor to Arizona needs to learn the demanding language of high Native American art. Not everyone should. But for those who come to delight in its spectacular subtleties, walking in beauty will prove to satisfy and sustain.

Boosting the odds of beating a heart attack

Knowing what to do if a relative, co-worker or friend has a heart attack—or you yourself have one—can make the difference between life and death.

Take the case of Thomas Ferry, 55, assistant vice president at First Interstate Bank in Los Angeles, who was getting into his car last December when he felt a crushing pain in his chest. A colleague, realizing his distress, alerted security guards, who administered oxygen and called for an ambulance. Within 15 minutes Ferry was at a hospital. Within six weeks he was back at work.

Ferry was fortunate that First Interstate Bank, with some 15,000 employees, is training 500 emergency response teams. The 4 member teams, whose names will be posted on the floors where they work, are made up of everyone from secretaries to vice presidents. Each team has a first-aid specialist (who is trained to give oxygen in case of a heart attack), a fire response person, a team leader and a communicator.

They are all taught that speed is of the essence when dealing with heart attack victims. Last year 350,000 of

Patrick McDonnell

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At the age of five, Mozart was already composing spirited minuets on the harpsichord and was on his way to becoming a virtuoso violinist.

RIN TIN TIN

The USA's first canine superhero was discovered in a trench during World War I and made his first movie, "The Man from Hell's River," when he was five.

CATS!

This smash musical has been playing on Broadway for five years and has recently staged its 2,000th performance.

MICHAEL JACKSON

At the age of five, the USA's most talked about entertainer took center stage as lead singer of the Jackson Five. Since then it's been one record-breaking hit after another.

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In the five years it's been standing, the AT&T Building has sparked more talk and controversy in the world of modern architecture because of its "Chippendale" top.

ve year olds in history!

SHIRLEY TEMPLE

By the tender age of five, Shirley had already made her film debut in "Baby Burlesks," and was hard at work on her first major film, "Stand Up and Cheer."

RON HOWARD

At the age of five, this hot movie director was making it big on *The Andy Griffith Show* and had already made a splash on Broadway and in a feature film.

E.T.

It's been five years since the little visitor from outer space landed on earth, phoned home and turned on the hearts of the entire USA.

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KELSO

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FIVE YEARS YOUNG AND NO. 1

the 1.5 million people who suffered heart attacks died before they got to a hospital. Many of those lives could have been saved, according to Dr. Roman DeSanctis, director of clinical cardiology at Massachusetts General Hospital, if spouses and co-workers could have recognized the signs of a heart attack and taken action. You can't rely on the victim to tell you.

According to the American Heart Association, people suffering chest pains wait, on average, about three hours before even seeking medical attention, which simply increases the damage to their hearts as well as their chances of dying. Dr. Thomas Hackett, psychiatrist-in-chief at Mass General, explains that victims can be so fearful of a heart attack that they often deny it has happened. They dismiss the chest pain as indigestion or a muscle pull. "I've had patients who've run up and down stairs or done push-ups when they feel chest pain," says Hackett.

"Not all chest pain is caused by a heart attack," says DeSanctis. But if a person feels a squeezing pain in the center of his chest behind the breastbone for more than a few minutes, assume it's a heart attack and call for help. Not all heart attack pain is located in the chest. It can sometimes be felt along the left side of the body, especially inside the left arm, and less frequently in the right arm, and around the jaw, neck and back. Pain in any of these areas that lasts for more than a few minutes, especially if it's accompanied by sweating and weakness, should be viewed as a heart attack and help called for immediately.

The first thing to do: call an ambulance. Loosen ties, bows and top shirt buttons to make breathing a little easier.

If the person is unconscious and has gone into heart arrest, he will need cardiopulmonary resuscitation. The CPR procedure aims to brings blood and oxygen to the entire body. Otherwise, brain damage will set in within three minutes. If no one in the vicinity knows CPR, DeSanctis suggests a quick blow to the chest with a closed fist. "It's a long shot, but it sometimes gets the rhythm going again."

The American Red Cross has given on-site CPR training at many corporations, including Xerox and IBM. But don't wait for your company to offer such classes. CPR has been taught to about 40 million people since 1960. The guidelines were revised last year to make the procedure even easier. Both the American Red Cross and the American Heart Association give CPR classes at their local chapters across the country. The basic CPR course takes about four to six hours. For information contact your local Red Cross or Heart Association office.

Note: Don't make your training a secret. Even at companies where people have been taught CPR, signs are seldom posted to alert people whom to call in an emergency. "No national guidelines exist about posting where a CPR-trained person is located," says Dr. Joseph Ornato, associate professor of medicine at the Medical College of Virginia and a member of the American Heart Association emergency cardiac care commitee. "God knows there should be."—**Francesca Lunzer**

The hotel hit parade

All travelers have their favorite hotels and resorts, which they will defend down to the chocolates on the pillow. Here are the top ten international and national resorts and hotels as named by some 2,500 subscribers to the *Hideaway Report*, published by Andrew Harper. (Note: Phone numbers listed are for making reservations in the U.S.)

Favorite international resorts. 1. Little Dix Bay, Virgin Gorda, British Virgin Islands (800-223-7637 or 800-442-8198). 2. Peter Island, British V.I. (800-346-4451). 3. Jumby Bay, Antigua (800-437-0049 or 212-819-9490). 4. Petit St. Vincent, Grenadines (800-654-9326). 5. The Meridian Club, Turks and Caicos, British West Indies (800-225-4255 or 212-696-4566). 6. Hotel Bora Bora, French Polynesia (800-421-1490). 7. Villa d'Este, Lake Como, Italy (212-838-7874). 8. Coco Point Lodge, Barbuda (212-696-4750). 9. Malliouhana, Anguilla (212-696-1323). 10. San Pietro Hotel, Positano, Italy (212-719-4898).

Favorite U.S. resorts. 1. The Boulders, Carefree, Ariz. (800-223-7637 or 800-442-8198). 2. Westin Mauna Kea, Hawaii (800-228-3000). 3. The Cloister, Sea Island, Ga. (800-732-4752). 4. The Greenbrier, White Sulphur Springs, W.Va. (800-624-6070). 5. Ventana, Big Sur, Calif. (408-667-2331). 6. Mauna Lani Bay, Kona Coast, Hawaii (800-367-2323). 7. Lodge at Pebble Beach, Pebble Beach, Calif., (408-624-3811). 8. Caneel Bay, St. John, U.S. Virgin Islands (800-223-7637 or 800-442-8198). 9. Auberge du Soleil, Rutherford, Calif. (707-963-1212). 10. Kapalua Bay, Maui, Hawaii (800-367-8000).

Favorite U.S. city hotels. 1. Stanford Court, San Francisco (415-989-3500). 2. Ritz-Carlton, Boston (617-536-5700). 3. Bel-Air, Beverly Hills (213-472-1211). 4. Ritz-Carlton, Chicago (312-266-1000). 5. The Carlyle, New York (212-744-1600). 6. Four Seasons, San Francisco (415-775-4700). 7. Mansion on Turtle Creek, Dallas (214-559-2100). 8. Campton Place, San Francisco (415-781-5555). 9. Helmsley Palace, New York (212-888-7000). 10. Fairmont, San Francisco (415-772-5000).

Favorite international city hotels. 1. Connaught, London (212-838-3110). 2. The Oriental, Bangkok (213-649-1634). 3. Stafford, London (212-535-9530). 4. The Regent, Hong Kong (505-243-6446). 5. Ritz, Paris (212-838-3110). 6. Plaza-Athénée, Paris (212-541-4400). 7. The Mandarin, Hong Kong (800-663-0787). 8. Hassler, Rome (212-838-3110). 9. The Peninsula, Hong Kong (800-323-7500). 10. Cipriani, Venice (212-838-3110).

The profile of voters: 70% are executives, with a median age of 50.5 and median income of $259,000. *Hideaway Report*, subscription is $75 per year; Harper Associates, Inc., Box 50, Sun Valley, Idaho 83353.—**W.G.F.**

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Life in the outside lane

Alan Dorow/JB Pictures

By Dyan Machan

DO YOU THINK it's easy getting a pink slip, pulling the ripcord on that golden parachute and drifting happily out of sight as your old company disappears into the maw of another? Meet Alan Shaver, 49. Shaver was secretary of General Foods. Well educated (Dartmouth '60, Yale Law '63) and ambitious, he had his eye on General Foods' general counsel's job.

Then Philip Morris came along and paid $5.8 billion for General Foods in November 1985. Shaver's career plans turned to dust. "I never had any illusion," says Shaver. "I knew my job would be eliminated."

Technically, Shaver still had a job after the takeover. However, his duties shortly began to erode. Every day, Shaver drove from his house in Bronxville, N.Y. to General Foods' glass-and-white-aluminum headquarters in Rye Brook, N.Y., where he had a seventh-floor office. But it was a sham. Shaver's formal role as liaison to General Foods' board of directors—now made up only of company people—was meaningless. Toward the end he thought up make-work assignments, finished back-burner projects and rearranged his files—all hard on one's self-esteem. "If I were to stay," says Shaver soberly, "it would have been hard to pretend I had a job."

So on Aug. 14, after 12 years with the company, Shaver resigned. Four days later the company announced it would form three operating companies and would sack or "redeploy" most of its 2,000 staff employees. Corporate functions like finance and per-

Alan MacLean Shaver

Born: Detroit, 7/11/38

1975-87: General Foods. Chief counsel, Burger Chef Systems. Rose through divisions to secretary. Duties diminished after GF acquired by Philip Morris in 1985. Resigned 8/15/87.

1972-75: House counsel, Foster Grant.

1965-72: Staff attorney, Kellogg.

1963-65: Associate with Clark, Klein, Winter, Parsons & Prewitt (Detroit).

J.D. (Yale '63), B.A., econ. (Dartmouth, '60).

Married to the Reverend Ellen Shaver. Two children. Sails, runs 15 miles weekly. Last book read: David Halberstam's *The Reckoning: The Challenge to America's Greatness.*

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sonnel were eliminated in a stroke. Barely missing this carnage, Shaver says, made him feel "like the guy who missed the Northwest flight out of Detroit."

But Shaver is saving the champagne for when a new job appears. That could be tomorrow. It could be next year. Many difficult hurdles remain. Says Shaver: "I'm 49. I'm too young to retire and too old to start over. I'm sad General Foods was acquired, but I'm not mad at anybody. I've been treated fairly, but that doesn't take away from the fact that I have to figure out what to do with my career." Shaver says he'd like work as a corporate general counsel, but competition for those jobs is stiff: Out of the four serious job interviews he has had in the past few months, one company was since acquired and two have since been identified as takeover targets.

What is life like in the outside lane? "I'm nervous that I'll wake up one morning and won't know what to do with myself," says Shaver. Every morning he rises at 6:30 or 7:00, depending on whether he runs his 5 miles that day, the same schedule he adhered to when working. "It's important to maintain a sense of routine," Shaver counsels. "It would be easy to sleep in."

After breakfast Shaver spends a few hours on the phone, scrupulously following every lead and talking to selected headhunters. He writes letters, reads. In the afternoon there's yardwork and errands to keep time from weighing him down. This winter he may write a novel to fill empty hours. He has decided that he will "buy himself a job" by purchasing a small business or franchise if nothing comes up by early next year.

This is not the first career shift forced on Shaver, although it may be the most difficult. After graduating from Detroit's Crambrook School, where he wrestled beside Ivan Boesky, Shaver went on to Dartmouth and Yale Law. He took a job at Detroit law firm Clark, Klein, Winter, Parsons & Prewitt long enough to get bored with legal grunt work. In 1965 he joined Kellogg Co.'s legal department, but after six and a half years, and with two young bosses blocking his rise, he joined Foster Grant, soon to become a United Brands holding, as house counsel and assistant secretary. That happy stay was cut short when the company was acquired by American Hoechst in 1974.

Eight months later Shaver moved his wife and family a third time—this time to Westchester County, N.Y., where he became chief counsel to Burger Chef Systems, then a subsidiary of General Foods.

Alan Dorow/IB Pictures

Shaver and his sailboat
"Your spirits need a little revival."

Shaver thrived at General Foods. He won the company's Chairman's Award and a $3,000 bonus for turning around the legal department. When Burger Chef Systems relocated to Indianapolis in 1977, Shaver was promoted into the parent company so his family could stay put.

In 1983 Shaver was elected to corporate secretary, a highly visible "dues-paying job" that he hoped would land him the title of general counsel. Then came Philip Morris.

Well aware that General Foods' administrative costs were significantly higher than other major food companies', Shaver's first reaction was to cut his own department's overhead. By encouraging two employees to retire early, a third to move out of the company and a fourth to move within, he shrank his department by 50%. But few colleagues pitched in. They seemed to delude themselves about their future with the company. A telling sign, recalls Shaver, was how many employees commonly referred to "the merger" rather than the acquisition. "The creative energy was gone." says Shaver. "We were dying by inches. It's better to die instantly."

By early this year, Shaver knew there was little chance he could find another spot inside Philip Morris. His boss, Peter DeLuca, General Foods' general counsel and a senior vice president, was allowed to stay. But Shaver's last hope, the secretary's position at Philip Morris, went to its outside counsel last spring. Shaver decided he'd be better off confronting reality and getting out.

Many of Shaver's friends advised him to keep his old job until he found a new one. But he strongly believes it's better to exit "before it is clear to the world your job is fiction."

Shaver could afford to leave. Prior to Philip Morris' purchase, Shaver helped put together golden parachutes that assured him and 45 other General Foods officers relatively gentle landings. Shaver was guaranteed his $200,000 a year in salary and bonus through 1990. He also exercised General Foods stock options worth $200,000, after taxes.

Interestingly, Shaver did not stash all that option windfall in the bank. He bought the sailboat he had always wanted, a 19-foot day sailer he dubbed *The Bear Hug*. He also bought a sporty Subaru XT7 instead of the family sedan he had planned.

"Your spirits need a little revival," says Shaver. He adds: "For 20 years I never indulged myself."

But the indulgences bravely mask inevitable sacrifice. The family won't take its annual Caribbean vacation this year. The kitchen won't get redone after all. Shaver has promised his daughter, now in graduate school at Pennsylvania's Beaver College, that he will pay her $13,000-a-year tab. But should his son, now a General Foods salesman in Toledo, decide he wants to get his M.B.A., Shaver may not be able to help financially. Shaver says he and the Reverend Ellen Shaver, his wife of 26 years, have talked about selling their four-bedroom brick house in Bronxville and moving into the rectory of St. John's, in Tuckahoe, N.Y., the Episcopal church where Ellen Shaver presides. A spirited, supportive woman, Reverend Shaver has strong ties to the community but says she will readily move again for her husband's career. But if they moved and her husband's new employer was again acquired, she confesses, "I'd be mad as hell." ■

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Faces
Behind the Figures

Edited by Lisa Gubernick

Fence jumper

William Isaac learned a thing or two about troubled banks in his four-year reign as Federal Deposit Insurance Corp. chairman. Having now left government to become a consultant to the very same industry, Isaac, 43, is making it big. His Washington, D.C.-based Secura Group, launched in March 1986, has grown to 26 employees and 250 clients. It also has an office in Dallas, with another soon to follow in Los Angeles. Secura arranges federal assistance for troubled banks and thrifts and helps healthy ones plan and carry out mergers. Isaac likes working the other side of the fence: "When you're a regulator, you're the enemy. It's nice to finally be looked at as part of the solution."

With the number of failed banks expected to reach 200 this year, a post-Depression record, competition among consultants is growing. Each of the Big Eight accounting firms now has a bank consulting department, and the nation is dappled with regional outfits. Worse, consulting fees are low. Last year a Secura team worked virtually around the clock for four months to arrange a $130 million FDIC bailout for Bank of Oklahoma, the second-largest bank holding company in the state. Secura came away with $190,000 in fees, less than what any B-list investment bank would charge for a fairness opinion alone.

In response, Isaac has been plugging investment banking services to his clients. Such services (which account for half of Secura's revenues) can pull in retainers of up to $100,000 annually plus fees of up to 2% of the purchase price in a consummated deal.

Secura has the firepower to justify those prices. Top officials at the firm include Robert Boyd, who helped direct Citicorp's S&L acquisition program, and Anthony Montelaro, a Federal Reserve veteran and former head of regulation at the Federal Reserve Bank of Dallas. And Secura is 25% owned by Arnold & Porter, one of the U.S.' top banking law firms. So long as banks keep keeling over, all ought to do well.—**Edward Giltenan**

Susan Steinkamp/Picture Group

Secura Group President William M. Isaac
After five years as a bureaucrat, finally part of the solution.

Dealster Carson (center) *and partners*
"No one else has our expertise."

Alex Quesada/Woodfin Camp

Infomaniac

"We have done more leveraged buyouts in the information processing industry than anyone else," brags Russell Carson, one of the founding partners of Welsh, Carson, Anderson & Stowe. The company manages pools of institutional investors that finance such buyouts, making its money on the capital appreciation of equity positions it takes in the deals. Last month the firm completed its 106th such deal, a $314 million buyout of Comdata Network, Inc., the Nashville-based provider of electronic funds transfers. Declares the baby-faced 44-year-old, "No one else has our expertise."

But business didn't always come this easy. Nearly nine years ago, when Carson left his job as head of Citicorp Venture Capital, Ltd. to cofound the firm, few understood how to leverage an information company. Most buyouts depend on leveraging the company's fixed assets, which information processors have little of. Instead, the firm proposed to take advantage of the high cash flow such companies typically have, to service debt. "We had a difficult time explaining that to the banks," he says wryly.

One of Carson's most lucrative deals to date was the public offering in September 1986 of Fiserv, Inc., a Wisconsin-based purveyor of back-office data processing for thrifts and banks. Shares that Carson's group bought for about $1.50 are now worth $19.50, yielding a profit of nearly $50 million.

And next? Following the acquisition of Comdata, in which WCAS is investing $40 million, the firm will

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Faces
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still have nearly $250 million left over to play with. "We couldn't own the businesses [at Citicorp] the way we can here," says Carson. That's for sure.—**Laura Jereski**

Timber!

If you think the real estate market is about to collapse, the top pension investment adviser of the John Hancock Mutual Life Insurance Co. might disagree with you, at least with respect to one little-noticed niche in the market: timberland. Foster Aborn, the man who presides over the $30 billion in assets under management in Hancock's investment and pension sector, is out to convince institutional clients that it is time to get back to nature. "Yields in timberland run countercyclical to most of the trends that affect stocks and bonds," explains Aborn, 53, who served for 11 years as a commercial loan officer at Mellon Bank in Pittsburgh before joining Hancock in 1968.

Aborn, who sails a 40-year-old wooden Hereshoff sloop around Boston Harbor on weekends, points out that since 1958 timber has performed as well as stocks and better than bonds. Besides, Aborn is convinced timberland is poised for a sharp rebound thanks to rising inflation, increased exports as a result of the low dollar, a newly imposed export tax on Canadian lumber and forecasts that housing starts will stay strong until the mid-1990s.

What's Aborn's interest in all this? Simply that John Hancock's timber group stands to collect annually a hefty 1% of assessed market value for every acre of timberland in client portfolios. Moreover, thanks to incentive fees in its management contracts, Hancock stands to collect an additional 15% of any appreciation in the land by more than 8% annually. In sum, if timberland prices do well, John Hancock will do really well. To which the insurance giant could very well say, thank you, Foster Aborn.—**Adam Snitzer**

John Nordell/B Pictures

John Hancock's Foster Aborn
Scouting for profits in the forest.

"We were overweight"

The State of Israel is committed to selling off major pieces of the country's biggest government-owned enterprises. On the list of candidates is El Al, the Israeli international airline. El Al's beaming president, Rafi Harlev, thinks a public offering of El Al stock is no longer mere theory. Israel's Authority of Government-owned Companies says planning will begin shortly for a 1989 public offering—price and number of shares to be determined.

Israel Talks Wooden Camp

El Al President Rafi Harlev
There was no other way to survive.

Undeniably, El Al looks better now than it has in years. The airline, 98% owned by the government of Israel and in receivership since 1982, is reporting its first full-year profits since 1978—$15 million on 1986-87 revenues of $567 million.

Why the turnaround? El Al's transatlantic traffic to Israel is up 8% this year, vs. a decline of 9% in 1986. A 44% decline in fuel prices since 1982 has been a boon. Harlev's five-year honeymoon with the carrier's organized workers has also helped.

Harlev, a 54-year-old retired Israeli Air Force brigadier general, joined El Al as a senior vice president in the late 1970s but left over differences on how to handle the carrier's eight obstreperous labor unions. In 1982 he was invited back to attempt a rescue of the carrier, then entering receivership with $123 million in cumulative losses. "We were overweight with employees, debt and expenses," recalls Harlev. "There was no way to survive under those conditions."

Harlev insisted that the government consolidate El Al's unions into a single bargaining group. That done, he launched a restructuring blitz that pared $25 million in operating expenses by cutting 1,000 workers, trimming wages 7.5% and gaining work rule concessions.

Future profits are far from assured, to put it mildly, but that's not the point. Considering what El Al survived, it's no small achievement that Harlev can even think of one day selling shares in it.—**Michael Fritz**

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The Forbes/Wilshire 5000 Review

Edited by Steve Kichen

Big stocks were bruised while many secondary stocks were barely touched by Wall Street's selling spree. The 30 Dow industrials declined 2.9% and the NYSE was off 3.6% in the four weeks ended Sept. 11. The Amex, by contrast, was off only 2.4%, and the Nasdaq was off just 1.2%. Overall, the big-capitalization shares drove the Wilshire index of 5,900 stocks to a 3.2% decline.

Riskier stocks held up surprisingly well. The yardsticks below show that very-high-volatility issues rose 2.1% in the last four weeks, while low-volatility shares were off 1.3%. Low-yield, high-growth and low-priced stocks all closed in positive territory.

The current market is far from cheap, even though the price-to-earnings multiple for the market fell over a point, to 21.8. Security analysts have been telling investors that earnings will grow sharply in 1988. If the analysts are correct, the market isn't overpriced. But there is reason to worry about analysts' overoptimism (FORBES, *June 1*).

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	–3.2	–3.7	–2.9	–3.6	–2.4	–1.2
in last 52 weeks	35.1	35.7	48.3	35.5	38.0	28.7

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–3.2	1.7	2.1	–1.3	–0.5	–1.0	–2.9	1.9	2.2	–2.3	–2.3	0.9
in last 52 weeks	36.2	54.8	82.4	26.5	37.8	22.4	12.8	74.3	79.9	23.2	32.8	47.4

[1]Wilshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. [3]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [4]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 9/11/87. Prepared by Wilshire Associates, Santa Monica, Calif.

Gas French

Where the Action Is

The dollar's weakness sparked fears that foreign investors would pull out of the U.S. Such fears are now at least partially justified. The resilience of secondary issues dampened some of the losses from blue chips but couldn't prevent all nine sectors from following the Wilshire index into the loss column. The capital goods sector, however, closed the period with only a small decline. Heavy equipment manufacturers, such as Caterpillar, Clark Equipment and FMC, bucked the overall market. Such firms continue to profit from the falling dollar as well as the cost-cutting and restructuring done when they were losing sales to foreign manufacturers. Other stocks that gained when the market was falling in September: National Semiconductor, Food Lion and Bell & Howell.

What the Analysts Think

This is the time of year for analysts to pull in their horns. The Institutional Brokers Estimate System reports that for every 100 estimates for 1987 that were recently raised, 122 were lowered. Comparatively speaking, however, that looks optimistic. One year ago, for every 100 estimates that were raised, 200 were lowered.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.35	20.9
1987 estimates	2.98	16.5
1988 estimates	3.85	12.7

Rank based on change in estimate	Sector	Estimated 1987 EPS	Estimated 1987 P/E	% change in 1987 estimate in 2 weeks	% change in 1987 estimate in 4 weeks
1	Raw materials	$2.31	18.2	0.88%	0.81%
2	Energy	2.59	18.4	0.78	1.20
3	Capital goods	2.21	20.3	0.38	0.03
4	Consumer durables	4.24	14.3	0.25	1.07
5	Consumer nondurables	2.32	18.7	0.03	0.11
6	Utilities	2.40	10.7	−0.01	0.00
7	Technology	2.48	18.5	−0.18	1.94
8	Transportation	2.22	16.6	−0.40	−0.70
9	Finance	1.76	19.3	−2.25	−8.92

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continually by the Institutional Brokers Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 9/11/87. Prepared by Wilshire Associates, Santa Monica, Calif.; IBES, a service of Lynch, Jones & Ryan, New York.

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Buy a stock, an old rule of thumb has it, if its P/E ratio is less than the growth rate. What stocks meet that criterion?

The price of growth

Chas B. Slackman

By Michael Ozanian

HIGH-GROWTH companies are worth a premium. But how much of a premium? Limited Inc., the specialty retailer, with a 69% growth rate in earnings per share over the past five years, is trading at 29 times its recent earnings, compared with the average multiple of 22 for the market. Does that make Limited too expensive?

Philip Morris is 16 times trailing earnings and enjoys a five-year 17% annual growth in earnings per share. Is it a better buy? How about Tyco Laboratories (recent growth, 10%; price-to-earnings multiple, 34)?

There is a simple, mechanical rule for comparing growth to P/E ratios. Like all mechanical rules, it can provide only a first pass at screening for stocks. But there is some arithmetic validity to it.

The rule, as stated by Anne E. Gregory, publisher of the *Merrill Lynch Market Letter*: "Companies that have P/E multiples at substantial discounts to their projected earnings-per-share growth rates are often undervalued."

A refinement of the rule is to add the dividend yield of the stock to the growth rate to get an overall figure akin to a total return. A stock with earnings expanding at 10% annually and paying a 5% dividend is about as good as one expanding earnings at 15% annually and paying no dividend. That's because the owner of the former stock can reinvest the dividend and increase his shares by 5% a year. Assuming no change in the P/Es, either stock will provide a total annual return of about 15%.

A simple mathematical exercise will show why Gregory's formula should work—if a few critical assumptions turn out right. First, assume that the market's average P/E multiple remains at its recent level, near 22. Then, assume that the average stock delivers an annual growth rate of 11.4%, as currently projected

Price-to-growth ratio

How much should investors pay to get higher growth? An old rule of thumb says to buy a stock whose price-to-earnings multiple is lower than its growth rate. By that measure, these firms would be buys. They all have trailing P/Es at least one-fifth lower than their four-year earnings growth rate. To eliminate erratic or leveraged highfliers, we also required share earnings of at least $1 over the 12 months, trailing five-year earnings growth rates of at least 10%, and debt-to-equity ratios below 100%. Earnings projections are from Value Line.

		Earnings per share			Price-to-earnings		
Company/*business*	Price	latest 12 months	1987 est	projected growth*	latest 12 months	1987 est	Debt/ equity
Adams-Millis/textiles	11⅝	$1.32	$1.40	15%	8.8	8.3	87%
Atlantic Research/aerospace	24¾	1.91	2.16	19	13.0	11.5	45
Bundy/metal fabricating	27⅞	2.23	2.85†	17	12.5	9.8	43
Circuit City Stores/consumer electronics	35	1.72	2.27	26	20.3	15.4	68
Dillard Dept Stores/retail	46¼	2.44	2.91	24	19.0	15.9	56
Dunkin' Donuts/donut shops	26¼	1.70	1.74	20	15.4	15.1	32
Dynatech/precision instruments	30¼	1.98	2.27	21	15.3	13.3	18
E-Systems/electrical equipment	34¾	1.88	2.07	22	18.5	16.8	18
Fleming Cos/food wholesaling	40¼	1.82	2.73	27	22.1	14.7	57
Florida Rock Inds/building materials	23	2.21	NA	15	10.4	NA	15

*Annual growth to 1990-92. †1988 estimate. NA: not available or not applicable.

Sources: *Institutional Brokers Estimate System* (IBES); *Value Line Investment Services via Lotus One Source*

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Price-to-growth ratio

Company/*business*	Price	Earnings per share: latest 12 months	Earnings per share: 1987 est	Earnings per share: projected growth*	Price-to-earnings: latest 12 months	Price-to-earnings: 1987 est	Debt/ equity
Gotäas-Larson/ocean transport	28¼	$2.27	$2.67	19%	12.4	10.6	97%
Hasbro/toys	22½	1.47	1.83	22	15.3	12.3	22
Heilig-Meyers/home furnishings	26¼	1.36	1.75	25	19.3	15.0	75
House of Fabrics/specialty retail	16¼	1.07	1.33	21	15.2	12.2	14
James River/paper products	32⅛	2.00	2.59	23	16.1	12.4	86
Kaman/aerospace	29¼	1.99	2.10	19	14.7	13.9	90
Magna Intl/auto parts	16⅞	1.78	NA	22	9.5	NA	81
McDonnell Douglas/aerospace, defense	76	6.79	7.95	25	11.2	9.6	27
Pic 'N' Save/specialty retail	22¼	1.06	1.35	28	21.0	16.5	1
Rhodes/home furnishings	17⅞	1.36	1.65	20	13.1	10.8	44
Rockwell Intl/aerospace, defense	26¼	2.31	2.45	15	11.4	10.7	20
Rohr Industries/aerospace	32½	1.81	2.36†	31	18.0	13.8	48
Roper/motors, appliances	28⅛	2.35	3.09	14	12.0	9.1	80
Rose's Stores/retail	14¼	1.19	1.47	29	12.0	9.7	44
Savannah Foods & Inds/food processing	28½	1.71	2.00	31	16.7	14.3	62
A.O. Smith/auto parts	22⅝	2.43	2.45	15	9.3	9.2	30
Tab Products/office equipment	17⅛	1.00	1.37	23	17.1	12.5	2
Telex/computer equipment	67½	5.40	6.36	15	12.5	10.6	38
Toro/power motors	20⅜	1.50	1.79†	19	13.6	11.4	37
Van Dorn/containers	36½	2.10	2.35	23	17.4	15.5	18
Wausau Paper Mills/specialty paper prods	28¾	2.55	2.95†	14	11.3	9.7	47
Western Digital/computer equipment	23⅞	1.78	3.00†	20	13.4	8.0	70
Whirlpool/appliances	36¾	2.63	2.73	19	14.0	13.5	13

*Annual growth to 1990-92. †1988 estimate. NA: not available or not applicable.

Sources: *Institutional Brokers Estimate System* (IBES); *Value Line Investment Services via Lotus One Source*

in consensus earnings estimates. Add to that growth rate the 2.5% yield on stocks, and the total return on the market would be 14% a year.

The question now is, how long does an expensive stock have to keep up its accelerated growth in order to deliver a total return as good as the market's 14%? Not very long. If a growth stock comes through with anticipated earnings gains for 3 years—after which it levels off and trades at the average multiple of only 22 times earnings—then it's a good buy today if it fits Gregory's criterion. For example, if Limited is able to increase earnings at 29% a year for 3 years, after which it descends to average growth and an average P/E ratio, then it's a buy today at 29 times earnings.

Remarkably, the 3-year rule works for any P/E on the growth stock. A P/E of 100 would be justified if a 100% growth rate were certain to continue for 3 years.

The trouble with this approach, of course, is the assumption that a past growth rate will continue or that a projected one will materialize. That kind of assumption would have worked well in the past for Limited buyers. Limited's stock is up almost 47,000% in the past 13 years. The retailer kept growing and growing and still hasn't stopped—yet. But then there's Subaru of America. For five years, until 1986, it expanded earnings per share at a 33% annual rate. Then it hit a wall—a declining dollar and depressed demands for its imported cars. In the most recent quarter Subaru was in the red. The stock is off 70% from its high.

Another hazard: The market as a whole is rather expensive by such historical measures as price to earnings and price to book value. There's no assurance that the market's P/E of 22 will remain through 1991. If stocks go down, growth stocks will probably go down further. They tend to be riskier and suffer the most in bear markets.

The analysis above of Gregory's formula doesn't explicitly allow for risk. If it did, it would demand that the growth stock do much better than the market's hypothetical 14% return. After all, if growth stocks can run into ugly surprises like Subaru's, then the investor should be rewarded with a premium return when the growth does come through.

That said, a case can be made for betting on growth stocks now. The smaller ones have been left behind in this blue-chip-dominated bull market. The average P/E on T. Rowe Price's New Horizons Fund is currently 1.3 times the market's average P/E of 22. That looks expensive, but it's below the fund's relative P/E of more than 2, reached in 1983.

Preston Athey, who manages portfolios of emerging growth stocks for T. Rowe Price, believes strong corporate profits will cause many growth stocks to post big gains. "True growth stocks will do well because we're in an earnings-driven market right now and we're no longer going to get P/E expansion," he says. ■

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	6 months to June 1987	6 months to June 1986	Change
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EARNINGS PER SHARE	28.21p	22.27p	+27%
INTERIM DIVIDEND	6.50p	5.50p	+18%

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Everyone dumps on junk bonds. Funny thing, they've been doing well of late.

LOW QUALITY, HIGH POTENTIAL

By Ben Weberman

Last November, right after the Boesky insider trading scandal broke, the *Wall Street Journal* fretted over the future of the high-yield bond market and listed five slumping junk bonds and one ten-year Treasury. Since then, the total return for the five junk bonds has ranged from a high of 10.5% for a Container Corp. issue to a low of 8.3% for Coastal Corp. The Treasury 7¼s of 1996, which were then at 100, are now at 86 and their total return has been a negative 7%.

It seems almost sinful to be examining prospects for junk bonds when U.S. Treasury bonds, almost entirely noncallable, are yielding 9.6% for the 20-year maturity. But the fact is that junk bonds aren't such a bad deal, especially if interest rates edge upward, as they have been doing of late. Like almost all bonds, junk issues suffer when rates rise. But their high coupons insulate them from some of this interest rate risk. They don't fare as poorly as noncallable government bonds with long maturities.

Yes, junks have credit risk, which Treasurys don't. But you get paid for this risk. Recent typical yields on low-quality bonds: fallen angel (security of a formerly strong company that got into trouble), just under 13.9%; senior bond in a leveraged buyout company, 13%; debenture issued by a startup growth company, 12.7%.

It has been a very trying market for long Treasurys. The 8⅞s of 2017 came to market Aug. 13 at 99.85 to yield 8.9% and by mid-September were trading at 93 to yield 9.5% to maturity. That 7% price decline far more than wiped out the interest earned in the course of a month.

Even if junk bonds deteriorate, they've built up a long lead over governments. Long-term Treasurys delivered a total negative return of 6.8% since the beginning of 1987, while junk bonds carried a positive return of 7.4%, according to data compiled by Salomon Brothers.

Commentators often speak of junk bonds as being high-risk. Individually, they are. You don't know if Allied Stores is going to make it, or if LTV bondholders will get much in the bankruptcy reorganization. But a portfolio of junk bonds may actually have lower risk than a portfolio of long Treasurys. That's because the high coupons on the junk help offset the risk of interest rate fluctuations. And that interest rate risk is an important component of total risk in any bond.

While there have been many expressions of concern about the failure potential of junk bonds, the record shows that such worries have not yet been borne out. The next recession may take a lot of junk issues into default all at once, but remember that the 3%-to-4% yield advantage will make up for a certain amount of defaults. Also, default does not necessarily mean wipeout for bondholders. They may end up suffering only a renegotiation of debt service.

Indeed, many of the fallen angels, companies in bankruptcy or on the verge of it, have been among recent star performers.

It is understandable that some portfolio managers are wary about taking new positions in junks. They are used to spreads over Treasury yields of 5% to 7%. But there may be times when 4% or even 3% is adequate. I would not go lower than that unless I were certain that a bond rated B today would soon be promoted to an investment grade rating (BBB or higher).

One bull on lower-rated bonds is Allen Weisenfluh, high-yield money manager at John Hancock Mutual Life Insurance Co. He does advocate close and continuing scrutiny of holdings. He does warn that in many cases individual companies perform well for a time and then run into loss of public confidence. On the other hand, some of the larger recapitalization issues, such as BCI Holdings, Union Carbide and Colt Industries, remain star performers.

Out of seven to ten new issues each week, Weisenfluh buys one or two. Recent example: Burnham Broadcasting Co. 13⅞s of 1997, which came to market at par. The issue is trading at a slight premium even though the market has retreated substantially. Another issue is the E-II Holdings 12⅞s of 1997, trading at 97 to yield 13.5%.

Weisenfluh likes some controversial junk bonds, including Carter Hawley Hale 12¼s of 1996 trading at 96 to yield 13%; Safeway 12s of 1998 priced at 94 to yield 13%; and Colt Industries 12½s due 2001, priced at 100⅜ to yield 12.4%. Some analysts think interest coverage by earnings is too narrow. Others expect steady cash flow will pare debt and eventually turn these well-seasoned corporations from junk to investment classification.

Robert Levine, chief of high-yield research at Kidder, Peabody & Co., is among the Carter Hawley skeptics but says that R.H. Macy & Co. and Allied Stores have done better than expected in reducing their recapitalization debts. While the Macy 14½s of 1998 are trading to yield only 11.8% and Allied 11½s of 1997 are on a 12.1% basis, the prospect of rising credit quality as debt burdens are reduced should generate a good return. ■

Ben Weberman is a senior editor of FORBES *magazine.*

Is excess liquidity holding up stock prices? Balderdash! Take a look at bonds.

DOUBLE DAMNED

By Kenneth L. Fisher

If there is so much liquidity floating around to fuel higher stock prices, the way the superbulls claim there is, then why the devil are interest rates rising? With excess liquidity you would expect rates to be flat or down. Not so. Interest rates have been rising steadily, depending on which you look at, for the last 6 to 13 months—all of them.

Five-year Treasury rates bottomed out way back in August of 1986. Commercial paper and CD rates started rising in early September—last year. Long-term corporate and municipal bond rates didn't really start up until the January-to-March period. Since April we have had seven boosts in the prime rate. Take five-year Treasurys; they have risen from a hair over 6.5% to more than 8.75%—a 35% rate hike.

So where is all that excess liquidity? Overseas? Balderdash! Interest rates are rising all around the world in a rather steady trend. Japan. England. France. Germany. Everywhere. A key point I stress over and over in my new book, *The Wall Street Waltz*, is that major booms and busts occur worldwide. The whole world is now seeing rates rise, which means there is a worldwide shortage of liquidity, not an excess of it.

And eventually that will hurt stocks. Interest rates play off against stock prices through P/Es. It's confusing, but the way I have always simplified it in my mind is to invert the P/E into an E/P, which can be thought of as an earnings yield. Then it's a yield, like an interest rate, that can be compared with bond yields. The way I do it is to compare the market's earnings yield with the yield on long-term corporate bonds.

For example, right now, even after September's sinking spell, the Dow Jones industrials sell at about 20 times earnings. So the earnings yield is $^1/_{20}$, or 5%. For a moment, forget about stocks per se, and consider how you would value businesses if there were no stock market in which to trade. The question is, would you buy a business for a price that would return 5% on your money when you could earn 10% in bonds? The answer is, only when corporate earnings will rise fast. You need at least a doubling in earnings to justify the valuation.

But rapid growth over the next few years is unlikely. This boom, which started in 1982, has just now become the longest continuous economic expansion in history. Along the way we have built unrealistically high expectations into our economy. Perhaps most unrealistic of all is Beryl Sprinkel, President Reagan's chairman of the Council of Economic Advisors.

Sprinkel is among the world's most highly educated ignorant men. He believes that "economic expansions don't die of old age, they die of inappropriate economic policies." Well, they do die of old age sometimes. Other times they die because of what's happening in other countries. And, again, as I detailed in my book, when the global economy starts going down, the policies of a single country can't keep that country from going down, too.

And that's when we really get it. Because, as if rates weren't high enough now, they will almost certainly rise more when our economy sours. Few ever expect this, but rates usually rise early in a recession. Why? Because sales fall, so inventories build up—which are financed through unanticipated borrowing. That's where stocks get double-damned, caught between falling earnings and rising rates.

If you now think I'm predicting the world's demise, relax. I'm not. But I'm also not predicting happy-ever-after, either. We will have a recession in the next year or so, and it will be a lot like others we have had. And along in there somewhere, stocks will fall, because there is a liquidity shortage and because the earnings yield on stocks is very low relative to bond yields.

So I'm not saying run for the hills, because I don't believe anyone can precisely "time" the market. What I am urging is to own only those rare stocks whose earnings yield over the next few years will be much higher than the bond yields against which stock valuations must compete. That means either low P/Es or low price/sales ratios, coupled with a big earnings rebound ahead. Here are a few stocks that qualify:

System Industries (11, o-t-c), the leader in plug-compatible add-on memory systems for minicomputers, sells at only 8 times current earnings—an earnings yield of 12.5%. To boot, it should be growing nicely in the next few years under the helm of its new chief executive, Bob Duncan.

International Multifoods (32) sells at a similar P/E (E/P) and seemingly has everything going its way: streamlining, lower interest costs, lower tax rates—all pointing to higher earnings ahead.

Wolverine World Wide (12, o-t-c) doesn't have a low P/E, but between streamlining and a lower dollar, I expect it to earn $15 million in a few years, which would make its earnings yield a tasty 16%. (Don't confuse WWW with *Wolverine Technologies*—16—which I recommended in August at 11 and still like.) ■

Kenneth L. Fisher is a Woodside, Calif.-based money manager. He has written two books The Wall Street Waltz *and* Super Stocks.

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Developers make spectacular claims for their trading systems' performance. Here is an objective evaluation of those claims.

MONEY MACHINES

By Stanley W. Angrist

If you are like me, about once a week you receive an almost irresistible offer of a commodity trading system that is all but guaranteed to make you wealthy enough to quit your job. "You just have to have the discipline to follow every system signal." The price for this Midas touch ranges from about $50 to as much as $7,000. But before you write a check, ask yourself: Are these systems worth anything?

John Hill, a longtime trader and system developer, decided to try to answer that question for as many systems as he could. In order to carry out this project, he created a company that collects completely revealed-logic systems. (He cannot evaluate "black-box" systems in which the logic is not revealed, and I don't think they should be considered for purchase by you.)

As a rule, Hill computer trades the system, using no less than 2¾ years of Treasury bond and S&P data. His goal: to try to present as fair and factual an evaluation of as many systems as possible. He makes his programs and detailed results available to a couple of independent trade associations to assure the integrity of his efforts. Except for the three systems that he developed and sells for $10 each, Hill has no connection with any vendors.

Listed below is an abbreviated performance table for a number of the better systems; most of the ones listed in Hill's complete table are not nearly as good as the ones shown here. He makes it clear that performance tables, even his, should be viewed with some skepticism: "Remember that every technical trading system is fitted to price data before it is offered to the public, and thus it will generate impressive numbers. Such systems should be looked at after they have been on the market a while." A current complete table of performance is available from the Futures Truth Co. for $10 (815 Hillside Road, Hendersonville, N.C. 28739).

In the Oct. 27, 1986 issue of FORBES, I outlined Peter Steidlmayer's Market Profile approach to trading the market. Steidlmayer and his associates present seminars on the subject through his organization called Market Logic (312-922-1320). J.F. Dalton Associates (800-362-8117) also offers weekend courses.

Using the Market Profile successfully is not something that one can normally do after initial exposure to the idea. So how can you test your knowledge of the subject before you risk hard cash with your broker? Technical Trading Strategies, Inc. of Littleton, Colo. (800-648-2232) has developed a computer program that lets you apply the principles of Market Profile. The simulator requires an IBM, or compatible, PC.

The simulation uses actual market data and displays them in Market Profile format as the trading day progresses. The rate of display is under your control. You can trade a bond market day in six hours, the actual time it takes, or in as little as two minutes.

This simulation is the only one I have ever seen that lets you select the delay between the time you enter an order and the time the order reaches the floor for execution. When all of the program's options are employed, it lets you come as close to actual trading as possible, short of calling your broker.

The program also keeps track of all open and filled orders and open and closed trades. That means the screen brutally tells you at any time whether your efforts are making money. One month of tick data for T bonds, the S&P 500 and soybeans come with the program, with additional data available for most markets at nominal cost. The program costs $595, which is less than a bad day in the market is going to cost you if you have not mastered the Market Profile method. ■

Stanley W. Angrist is a commodity speculator, consultant and longtime observer of the commodity markets

Profit extractors

Several trading systems now on the market have much better records than most. The figures below, compiled by John Hill, show some key indicators of their performances. (The minimum required capital is estimated by adding the maximum drawdown to the margin.)

System name	Retail price	Commodity tested	Profitable trades	Return on capital	Maximum drawdown
Night & Day Trading	$995	S&P	68.6%	275%	45%
Volatility Breakout	3,000	Bonds	55.9	275	64
Dual Thrust	3,000	Bonds	54.9	193	81
Improved Omega	30	Bonds	42.0	85	74
Range % Stop	10	Bonds	44.0	77	76
Scoops	795	S&P	63.6	57	41
Oops	795	Bonds	58.8	51	73
Trender	377	Sw.fr.	41.5	49	84

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Complex computer systems run big businesses these days, but you need something else that is at least as important.

SECRET FORMULA

By Esther Dyson

As far as brand names go, I'm not much of a loyalist. I buy the toothpaste with the most enticing promise for plaque removal, regardless of brand, and stay at the hotel with the best pool, not the best name. But I'm a loyal customer of American Airlines. American has won me over with ten years of only an occasional slipup. Its frequent-flier program isn't the most generous, but it's the easiest: You give them your number, and they put it in. No cards, coupons, forms to fill in. Their planes tend to be on time, and they don't run out of meals.

How do you achieve excellence in the details that constitute superior service? How does American achieve it? I've always suspected it has something to do with the company's skilled use of computers. American led the industry in the Seventies with its Sabre reservation system, a $350-million project that has since grown to encompass crew and flight scheduling, maintenance and parts-tracking and other minutiae of airline operations.

In the Eighties the company again led the industry with its Advantage frequent-flier program. I remember well when another carrier, several years behind American, tried to change over from a paper-based system to one using computers; it took months to get things straight, and for them to assign me a new number.

Automation lets American benefit from economies of scale without losing the personal touch. It may be just a computer trick, but isn't it nice to talk to someone who knows where you've flown to lately, knows your preferred seat and, best of all, can answer your question: "What's the chance that the seat next to me on the overnight will be empty, so that I can stretch out and get some sleep?" The personal touch, lost in economies of scale, can be recovered with smart use of computer information. Automation and management depth also let American absorb AirCal early this summer with hardly a glitch.

One more bonus to American—if not to the traveler—is that American's excellent yield management forces people like me to pay full fare when a less-well-managed airline will often give me a discount ticket—in spite of the fact that, like most business travelers, I am highly price-insensitive.

So I took special pleasure last month in visiting the shrine where my reservations are guarded and my miles are counted, American's headquarters in Dallas-Fort Worth. Senior Vice President Max Hopper described American's extensive computer operations and some related businesses, which together turned in a profit of $122 million last year. By monitoring advance bookings, American can maximize (more or less) its revenues by adjusting the flow of tickets to fill seats at prices as high as the market will bear ("yield management").

Yet I learned something that surprised me, but shouldn't have: It wasn't the computers per se that made American work well, but the human organization that utilized the computers.

For example, I asked Hopper about the storms that had closed Chicago's O'Hare the week before and left thousands of travelers stranded. American felt little impact; it had rerouted most of its through customers around O'Hare through Dallas. I thought he would explain how computerized decision systems had advised the rerouting.

That wasn't it at all, Hopper responded. It was a human decision, made early that Friday afternoon. As it flew passengers out of Chicago, American flew extra personnel in to help with the commotion. Computers certainly helped management cope with reassigning people and flights, but only after the humans made the decision.

My point is this: Long run, yes, computers will be making more and more decisions, but for now they're tools that help carry out decisions and keep track of things for managers who make decisions. Take American's Sabre reservations system, now an unassailable competitive advantage (except in the courts). This was not a technological breakthrough. It was the result of a smart decision—and years of work to carry it out.

This smart human management has shown to great advantage in the recent wave of airline mergers. A lot of the resulting foul-ups have been blamed on incompatibility of computer systems. Yet American's absorption of AirCal went quite smoothly, while Northwest's of Republic and Continental's of People Express are still troubled after a year or more. The real problem in these mergers was not computers but inflexible corporate cultures. More than the others, American had planned well in advance for the human problems that would arise, and thus the computer problems were much less worrisome. Whether you run a big business or a small one, computers can't manage; they can only facilitate good management—or accentuate bad management.

Put it this way: Like a musical instrument or a tool, a computer system is no better than the craftsman who uses it. ■

Esther Dyson is editor and publisher of the newsletter Release 1.0.

GRAPH BY ELLE SCHUSTER

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A successful market call must tell you when to get out and when to get back in.

WHO NEEDS A ONE-WAY TICKET?

By Mark Hulbert

Is it possible to time the market? With the Dow industrials having slumped sharply from record high ground, the question is on almost everyone's mind.

The potential gains of catching the bulls and avoiding the bears are so large that investors will always hope that the market can be timed. The evidence is not encouraging. But the pessimists may be wrong to insist that it can't be done.

Market timing calls must not be viewed in isolation. One brilliant call is not enough. An effective timing strategy requires a second act. It's no good getting people out if they stay out too long. Conversely, getting in at a right juncture is useless unless you also get out with a profit. Calling a downturn but staying out and being left behind in a subsequent rally leaves you worse off than if you hadn't done anything at all. (Of course, you may sleep easier in the interim.)

Consider the fate of the switch signals recommended over the past several years by *Telephone Switch Newsletter*, one of the most widely followed mutual fund switch services. After correctly and profitably switching into the market in late August 1982, this service recommended switching out in January 1984. As the market sank well over 10% during the subsequent seven months, this switch signal looked better and better.

But then came the explosive rally on the first three days of August, after which Editor Richard Fabian notified subscribers to switch back into the market. By the time subscribers got in, the market was at least as high as it was the previous January, and by some measures even higher. The switch that looked so good for seven months lost its luster. Fabian's followers would have been as well or better off to have sat with their holdings.

But that was not all. The early-August rally did not continue. Instead, the market drifted gradually lower. In early December Fabian recommended switching back out of the market. For a time this move, too, was profitable. Then in January 1985 the market took off once again. By the time Fabian recommended switching back in, the market was trading some 5% higher than where it was when he got out.

Recently, I reviewed the records of the market timing letters that the *Hulbert Financial Digest* has monitored continuously since January 1985. I separated their switch signals into pairs. The first of each pair is the switch to get out of the market, and the second is the corresponding switch back in. If the market is lower on the date of the switch back, the timing effort can be termed a success; if not, not.

During this 32-month period we were able to construct 141 pairs of switches, or 282 individual switches overall. We used the NYSE Composite Index to gauge whether the market was higher or lower upon reentry than upon exit.

The results are sobering. Of the 141 pairs of switch signals, 109 (or 77%) have to be judged as failures. In only 32 cases (23%) was the pair a success. On average, across all 141 pairs, the market was about 2% higher at reentry than at exit.

Total pessimism is not called for, however. First, these are average figures, including the records of mediocre and poor as well as good market timers. So the proper conclusion from these otherwise pessimistic data may simply be to become very choosy in selecting a timing service. Second, the period from January 1985 has been exceptionally bullish. Time spent out of the market would more often than not cause a timing strategy to lose ground against a buy-and-hold approach.

Only one letter of those I monitor outperformed a buy-and-hold strategy over this period (some actually recommended buying and holding and thus tied for second place.) This was Robert Prechter's *Elliott Wave Theorist*. Prechter's advice for "traders" since 1985 can be broken down into four pairs of switches, and, according to our calculations, the NYSE Composite averaged 0.6% lower when Prechter advised reentry than when he advised switching out. His advice for "investors" can be broken into two pairs, and here the average reentry price was 2.9% lower.

In contrast, the letter with the poorest record in our survey, *Professional Timing Service*, advised reentry at an average price 10% higher than that prevailing at exit.

Again, these are sobering figures. The gains you would have realized by picking the most successful letter were just slightly better than buying and holding, whereas the costs of choosing the least successful were substantially worse.

Where does that leave the investor interested in timing the market? At the very least, our research does not justify confidence about the prospects for success. But the research also shows that it could be done even during a powerful bull market, when market timing is the most difficult.

And when the bear market does come, of course, the rewards of success will be substantial—and the costs of failure, or even of buying and holding, extremely high. ■

Mark Hulbert is the editor of the Washington, D.C.-based Hulbert Financial Digest.

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Edited by Thomas Jaffe

Sirrine serene

Shares of CRS Sirrine, Inc., the $332 million (sales) Houston-based construction and engineering firm, have sold off lately. Recent price: 13⅜. Maybe it was the 3-for-2 split in August. Or the company's plans for a secondary offering. But regardless, some bulls say it's a fine time to get back in.

In the early Eighties, CRSS grew fat on projects in the Middle East. By 1982 this helped earnings hit a record $1.82 a share. But as that market withered, so did profits. By the end of the June 30, 1987 fiscal year, earnings from operations had sunk to just 65 cents a share. On top of that, CRSS took a $36 million net writeoff.

This done, however, earnings for the current fiscal year could recover to $1.10 a share. As of June 30, backlogs were at an alltime high. CRSS is in charge of building Chrysler's new $675 million technology center and will handle engineering and design for Eastman Kodak's new film sensitivity facility in Rochester, N.Y.

Conclusion: CRSS is almost worth the current price on the basis of the outlook for its traditional business alone. The kicker is its alternative energy outfit, finally expected to break even this year. In partnership with Combustion Engineering, CRSS is finishing a cogeneration plant in Schuylkill County, Pa. It should be running next year and could add as much as 30 cents a share to annual earnings. Meanwhile, in August CRSS, together with Transco Energy, announced its plans for a $155 million cogeneration plant in Virginia scheduled for completion in 1990.

Prospects here are gravy on top of the current price. There are 6.1 million NYSE shares. Insiders own 10%; Saudi investor Ghaith Pharaon 11%; Templeton Mutual Funds 12%.—T.J.

The jewel in the town

Where does Gayfryd (Mrs. Saul) Steinberg get her watches and crystal? Could be some of it comes from Town & Country Jewelry Manufacturing Corp., of which her husband's Reliance Group owns a fat slice. Based in Chelsea, Mass., and with plants in Hong Kong, the U.S. and Thailand, Town & Country (1987 sales, $107 million) makes everything from rings to bracelets, all unbranded, for sale to big chains, including Sears, as well as smaller independents.

Of course, Mrs. Steinberg doesn't shop Sears for jewelry. But Town & Country is also a retailer. It owns Little Switzerland, a chain of nine outlets in the Caribbean. Little Switzerland has the exclusive Caribbean rights to such prestige brands as Rolex watches and Baccarat crystal, all of which it sells at 30% to 40% off mainland prices. Tourism is booming, and

Jewelry making for Town & Country
Shining from Sears to St. Thomas.

T&C wants to expand: It has agreed to buy Kan Jewelers by this fall, giving it outlets in Aruba and Curaçao.

For the fiscal year ending Feb. 28, Harry Wells III, research director at Boston's Adams, Harkness & Hill, is looking for a 20%-plus gain in earnings, to 80 cents a share. His estimate for the following year is 95 cents.

One caveat: The public float is thin, so buy, if at all, carefully. There are 7.25 million Class A shares listed on the Amex. Some 37% are owned by Chairman C. William Carey and 23% by Steinberg's Reliance Group. (The Class B preferential voting stock belongs almost entirely to Carey.)—T.J.

How high is high?

It takes a brave man to recommend a stock that has trebled in ten months, and Kenneth Pearlman, of New York's ShareVest Capital Management, is brave. Stock in question: $78 million (sales) Shorewood Packaging Corp., a specialty packager out of Farmingdale, N.Y.

Shorewood is the leading packager for the music and video industries. For more than 15 years, it has supplied most of the record jackets and certain other packaging products for CBS Records. Last year this accounted for 38% of sales.

The company also does packaging for toiletries, food, film, hosiery and tobacco. This, says Pearlman, is where much of its growth will occur. For instance, Shorewood has a two-year contract to supply packaging for Capri, a new Brown & Williamson cigarette. It has also signed with Gillette to package cosmetic products.

In 1985 and 1986 earnings were depressed (at 26 cents a share last year), in part because Shorewood added lots of expensive new capacity. But the higher volumes resulted in higher gross margins. For the fiscal year ended May 2, the company earned $1.13 a share. Now Shorewood again is adding capacity. Pearlman is looking for $1.60 a share for fiscal 1988, $2 a share for fiscal 1989.

Unfortunately, Shorewood has been discovered. As recently as last November the stock was as low as 8¾. This June Shorewood sold 1.7 million shares at 15¾. Now it's trading at 26¼. (Chairman Paul Shore, 66, and his son, Marc, 33, own 33% of the 6.5 million o-t-c shares.) Yet Pearlman thinks the stock will go higher as Shorewood sheds its image of being a one-industry supplier. "Looking out a year, I think there's 50% left in the stock," he says, pointing out that this company's owners/managers are determined to flush up new orders to fill all the new capacity they have been installing. —T.J.

Fear of leasing?

International Lease Finance Corp. (1986 sales, $124 million) leases commercial jet aircraft to airlines. Its specialty is medium-term operating leases, not the capital leases traditionally associated with sheltering taxes. With an operating lease, the airline rents the jet, but the asset remains on the lessor's books. Capital leases are usually long term, with the airline putting the plane on its books and taking the depreciation.

For the fiscal year ended Nov. 30, 1986, the fast-growing Beverly Hills based company earned $1.02 a share, up an impressive 52%.

Yet at a recent price of 20¼, ILFC is only a few points higher—adjusted for splits—than where it began the year. In addition to a general fear of stocks flying at 20 times earnings, investors are worried that the government may

reregulate the skies, and that an equity offering in the works will water the stock excessively. More important, with the consolidation of the U.S. airline industry, ILFC's traditional market is shrinking. So when it said it planned to expand its fleet from 49 to nearly 70 aircraft next year, Wall Street puzzled over where the business would come from.

The answer: overseas. In September ILFC announced more than $1 billion in lease agreements. The contracts, covering 22 jets, range from 3 to 11 years. Among the lessees are Varig Brazilian Airlines, Lufthansa, TAP Air Portugal and Air New Zealand.

For the fiscal year ending this November, Dean Witter Reynolds analyst Mark Daugherty says ILFC will earn $1.20 a share, up 18%. In 1988 he's looking for $1.50. If his estimate pans out, ILFC is selling for a reasonable 13.5 times next year's earnings. There are 32.7 million o-t-c shares; insiders own 60%.—**T.J.**

On the mend

Could it be that the country's health maintenance organizations (HMOs) are about to recover? It could be. Medicare payment rates are expected to rise an average 13.5% next year—an improvement over an average 4% to 5% gain for the current year. Higher rates should particularly benefit those with a large percentage of Medicare patients. Analyst Peter Grua of Alex. Brown & Sons thinks the leverage could be greatest for $213 million (sales) United HealthCare Corp., headquartered in Minneapolis. It owns and manages a network of 40 HMOs, with 1.2 million members.

United hasn't been feeling well lately. In Minneapolis there was bad publicity over a lawsuit brought by local physicians. United's HMO in Phoenix, a very competitive market, is in the red. Ditto, Atlanta.

But Grua notes that in Atlanta United has begun to raise prices and has dropped a big problem account with the state of Georgia and changed certain other contractual arrangements. The Minneapolis lawsuit was finally settled in August. In all, Grua looks for United to earn a weak 30 cents a share this year but a strong 60 cents or so next year. The kicker: United manages many of the HMOs belonging to Lincoln National Corp., which owns 5.6% of United's 15.4 million o-t-c shares. Someday the big insurer may acquire the entire company. Recent price: 6⅛.—**T.J.**

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Flashbacks

Edited by Dero A. Saunders

"The more things change. . . ."
Items from past issues of FORBES

Sixty years ago in FORBES

(From the issue of October 1, 1927)

In 1927 FORBES called attention to the oldest lesson about protective tariffs

"The writer returns from Europe convinced that various countries will seek to hit back at us for what they call our cruelly high tariff. Britain is adhering more earnestly than ever before to 'trading within the Empire.' This policy is stimulated by her natural desire to cut down the industrial lead attained by the U.S. during and since the World War. . . . The new tariff just announced by France deals extremely harshly with the U.S. Britain and Germany are able, under the new arrangement, to cut the feet from under Americans in different lines of goods."

—B.C. Forbes

"One of the most important forward steps in domestic commercial aviation during the past month has been the inauguration of a regular express service across the continent from the Atlantic to the Pacific seaboard. The new service is being operated by the American Express Co., makes the transcontinental trip in 32 hours and the trip from Dallas to Chicago in only 11 hours."

Fifty years ago

(From the issue of October 1, 1937)

"The U.S. Department of Commerce estimated that 1937 national income will total around $70 billion, 12% higher than last year but 13% lower than in 1929. Furthermore, it is expected that workers will receive a greater share of the total than at any time since the Department began, in 1929, to work out statistics on income distribution; last year's 65.5% has been the top proportion so far. With the tremendous number of industries which have raised wages this year, officials believe that the per capita income of employees will exceed the $1,300-a-year mark (last year it was $1,244, in 1929—when the population was smaller—it was $1,450). . . ."

"Attempts to enact a 40-hour law, likely to be made in the next session of our Congress, should be squelched. The average length of the workday and the workweek has been steadily shortened in this country. This movement should and doubtless will be carried further voluntarily. . . . But 'passing a law' arbitrarily forbidding any and every concern to employ people more than 40 hours a week would unquestionably precipitate dislocation—and probably disaster."

Twenty-five years ago

(From the issue of October 1, 1962)

"Talk to almost any stock broker these days and you will hear a tale of woe. Geared up with expanded staffs and gleaming new facilities to bull market trading volume, they can no longer scrape by on the 1-million-share daily trading volume that prevailed a decade or more ago. Adding to brokers' woes is the virtual collapse of [their] new issue and underwriting business. . . .

"Not that New York Stock Exchange trading volume is particularly low: It has been running around 3.4 million shares daily and generating perhaps $1.5 million in daily commissions."

"A thrifty, hardworking French Protestant, Pierre-Samuel du Pont, found in the U.S. both the freedom of religion and of social expression that he sought. So much so that his descendants, as proud as ever of their heritage, today control a corporate storehouse with total assets of $4.1 billion. Last year E.I. du Pont de Nemours' revenues of $2.2 billion brought in a rich harvest worth $481.2 million in net profits. And for its sustenance the du Pont clan, now over 1,500 strong, has reserves of capital worth some $3 billion in the company's stock."

"The 1920 Jones Act requires that all lumber shipped between U.S. ports must travel in U.S. bottoms. Using Norwegian freighters, for example, the Canadians have what Weyerhaeuser estimates is a $9 per 1,000 board feet cost advantage at North Atlantic ports. This, says Weyerhaeuser's [President] Clapp, gives the Canadians a big marketing advantage. 'Don't think that they sell for $5 or $10 less,' says he. 'They sell for just enough less to get the business.' "

Ten years ago

(From the issue of October 1, 1977)

"The 'buy American' bug is biting hard in Canada. During the past 18 months investors from north of the border have put $3 billion into U.S. real estate, primarily apartment and office buildings, shopping centers and similar income-producers. . . . During the early 1970s Canadian spending for American real estate averaged a modest $300 million a year."

Heileman Brewing boss Russell Cleary

"Heileman [Brewing] should approach $300 million in revenues this year, nearly all from beer, making it the sixth-largest U.S. brewer. Since 1972 its beer sales have grown 18% annually, faster than those of any competitor except Miller. What's more, Heileman's return on equity exceeds 20%; most other brewers do barely half as well. Such success comes despite the fact that Heileman's marketers must wrestle with close to 20 different labels from its five breweries."

Thoughts
on the Business of Life

Nothing in education is so astonishing as the amount of ignorance it accumulates in the form of inert facts.
HENRY ADAMS

How is it that little children are so intelligent and men so stupid? It must be education that does it.
ALEXANDRE DUMAS FILS

Learning is the property of those who fear to do disagreeable things.
PIETRO ARETINO

Education produces natural intuitions, and natural intuitions are erased by education.
BLAISE PASCAL

Education, like neurosis, begins at home.
MILTON SAPERSTEIN

Education is a state-controlled manufactory of echoes.
NORMAN DOUGLAS

The difference between intelligence and education is this: Intelligence will make you a good living.
CHARLES KETTERING

Education is an ornament in prosperity and a refuge in adversity.
ARISTOTLE

Education: that which discloses to the wise and disguises from the foolish their lack of understanding.
AMBROSE BIERCE

A college education shows a man how little other people know.
THOMAS HALLIBURTON

Education is both a means to an end and an end in itself. Without education, no man or woman can reach the highest pinnacle of success. But education does not consist of school learning. Our education comprises the sum total of what we know. Our education comes, or should come, from our daily experiences in life.
B.C. FORBES

We are students of words: We are shut up in schools, and colleges, and recitation-rooms, for ten or fifteen years, and come out at last with a bag of wind, a memory of words, and do not know anything.
RALPH WALDO EMERSON

To accuse others for one's misfortunes is a sign of want of education; to accuse oneself shows that one's education has begun; to accuse neither oneself nor others shows that one's education is complete.
EPICTETUS

Half of the little education people have is usually wrong.
ED HOWE

Experience increases our wisdom but don't reduce our follies.
JOSH BILLINGS

More than 6,000 "Thoughts," indexed by author and subject, are available in a two-volume boxed set at $31.95 ($18.50 per volume if purchased separately). Also available, a one-volume edition of over 3,000 "Thoughts." Price: $18.50. Send check and order to: Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Add sales tax on orders in New York State and other states where applicable.

It is wise to get knowledge and learning from every source —from a sot, a pot, a fool, a winter mitten, or an old slipper.
FRANÇOIS RABELAIS

Education is the process of driving a set of prejudices down your throat.
MARTIN FISCHER

Education is a weapon, whose effect depends on who holds it in his hands and at whom it is aimed.
JOSEPH STALIN

Education is the process of casting false pearls before real swine.
IRWIN EDMAN

In examinations the foolish ask questions that the wise cannot answer.
OSCAR WILDE

A Text . . .

An instructor of the foolish, a teacher of babes, which hast the form of knowledge and of the truth in the law.
ROMANS 2:20

Sent in by Ray Molloy, St. Paul, Minn. What's your favorite text? *The Forbes Scrapbook of Thoughts on the Business of Life* is presented to senders of texts used.

Never carry your shotgun or your knowledge at half-cock.
AUSTIN O'MALLEY

If you wish to strive for peace of soul and pleasure, then believe; if you wish to be a devotee of truth, then enquire.
HEINRICH HEINE

FORBES
October 19, 1987

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Cover illustration by Rich Grote

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Side Lines

A master pays tribute to a master

Last month I telephoned Warren Buffett. Would he write a short essay for us on investment philosopher Philip Fisher, who had just turned 80? Buffett, who has a few other things on his mind—like the deal with Salomon Inc.—showed his admiration for Fisher by replying simply: "When do you need it?"

Warren Buffett

Buffett's appreciation on page 40 introduces our interview, conducted by Tom Jaffe, with Philip Fisher, one of the sharpest minds in the investment business. Little known to the public, rarely interviewed and accepting few clients, Philip Fisher is nevertheless read and studied by most thoughtful investment professionals. (By way of disclosure, our columnist, Ken Fisher, is Phil Fisher's son.)

Not all readers will share Phil Fisher's worried views about the economic future, but everyone will profit from pondering—as Warren Buffett has done—the investment principles Fisher espouses. If you do want more Fisher, read his still-in-print classic *Common Stocks and Uncommon Profits* (PSR Publications).

Man of peace

Contributing Editor Pranay Gupte traveled to Sweden and India for the story of the late Olof Palme's hypocritical arms peddling. Revelations of it have embarrassed Rajiv Gandhi's government in India. Meanwhile, Swedish arms in Iranian hands endanger U.S. lives in the Persian Gulf. Story on page 32.

The newest addiction

"Buying designer accessories has a kind of addictive quality," says Contributing Editor Phyllis Berman, who has purchased a few herself. "You can't afford all the designer dresses you want, but you can always find the wherewithal for another designer hair bow." Berman is talking about wearable art, the new hot thing in retailing. Not your traditional precious metal, Tiffany items, but often plastic, fake stones or silk. Not cheap, but not capital expenditures either: $50 and up. Usually handmade in small quantity, unique in a sea of mass production. Page 102.

McKinsey's briefcase brigades

Are management consultants worth what they charge? You can find as many skeptics as believers, but one thing is beyond argument: So far as prestige goes, McKinsey & Co. is the class act in the consulting business. But while McKinsey studies everybody else, few people get to study McKinsey. Forbes' John Merwin was given unusual access to top McKinseyians; a high point was an interview with the legendary Marvin Bower, who gave McKinsey its direction and who, at 84, is still lively and alert. "We don't learn from our clients; we learn from each other" starts on page 122.

James W. Michaels
Editor

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Follow-Through

Win one, lose one

Apr. 6, 1987
June 29, 1987

With The Limited, we got it right, with The Gap . . . we missed.

As stock in Leslie Wexner's Limited climbed ever higher, rising 900% in the last 36 months, to $45 per share by April, FORBES began to worry that it was headed for a fall. Inflated values usually end in big losses, we wrote. A company of The Limited's size would have trouble continuing to beat competitors with new styles. Also, Wexner relied heavily on foreign suppliers—but finding good ones was already getting hard.

It didn't take long for The Limited to lower its growth estimates. Last month the company said it expected net income for the second half of this year to grow only 25% to 30% over net income from the second half of last year. That still sounds great, but it is down from 43% growth in net earnings for the first half of the year.

The stock market has reacted accordingly. From a high of 52⅞ in August, The Limited tumbled 33%, to 35⅜, in little more than a month.

Meanwhile, The Gap, another leading clothing retailer, has also stumbled. The company's stock price was already falling last month when the California apparel firm announced that August sales were disappointing and that earnings for the third quarter would be down perhaps 30% from last year. In all, the stock plunged from 77⅞ in August to 36⅝ recently.

Only weeks earlier FORBES had written a glowing account of how The Gap President Millard Drexler had wrenched the company from its old teenybopper customer base and brought in women's merchandise. At that time we failed to notice that Drexler was in the process of overreaching himself.

On the basis of a strong response in the first half to his refocused marketing strategy, Drexler bought heavily for the second half. But prices from overseas suppliers were rising. Meanwhile, back-to-school sales, among the most important in the year, stagnated. The Gap's year-to-year comparable-store sales are thus flat, at best says Monroe Greenstein, a retail analyst at Bear, Stearns.

The moral? Nothing goes up forever—especially in the fashion industry.—**Alyssa A. Lappen**

Back from the brink

July 28, 1986

New York City's Willcox & Gibbs was founded in 1867 as a sewing machine maker, but diversification into such things as dresses and polystyrene shipping pallets brought a brush with bankruptcy by 1976. Then the company drafted John Ziegler, a former Coopers & Lybrand accountant, who persuaded creditors to settle for only 20 cents on the dollar. Then Ziegler began buying firms that gave Willcox profits of $6 million on 1985 sales of $225 million. The near-miss made Ziegler a merciless manager, and FORBES predicted that his tough style would continue to help Willcox grow.

FORBES was right. In the first half of 1987 the company's sales climbed 23% over the same period last year, to $149 million, and pretax income climbed 26.5%, to $8.2 million. For the year, sales should easily reach W&G's projected $293 million, with earnings of $9.6 million.

Such growth should continue. Ziegler is adding to an electrical supply distribution business he picked up in 1984, which boasts 6% operating margins and a 10% annual growth rate. Last spring he bought an $8 million (sales) electrical parts supplier in Atlanta.

Meanwhile, the acquisition of Rubyco, a $13.5 million (sales) Canadian maker of covered yarn, for $6 million last year made Willcox the world's largest maker of covered yarn for pantyhose—a business growing 15% a year. By pumping $4 million into plant and equipment, Ziegler also boosted W&G's production 10% in the U.S. and 30% in Canada.

W&G stands to profit most from Satellite Plus, a data system developed to track production at textile plants, helping workers improve their output by up to 20%. Ziegler hopes to sell 20 systems next year, which could add $2 million to profits.

Not bad for a company that not so long ago was bargaining hard just to stay in business.—**A.A.L.**

Still expanding

Nov. 3, 1986

Freeport, Ill.'s Newell Co. had 1985 sales of $350 million, mostly from buying small, sluggish companies that made low-cost brand name items such as pots and pans, knitting needles and bathroom scales. But FORBES noted that its appetite was growing. Vice Chairman Daniel Ferguson wanted to buy Anchor Hocking Corp., a troubled glassmaker twice Newell's size. Anchor was uninterested in making a deal, but Ferguson was unfazed. All of which, FORBES wrote, made Newell a company to watch.

Ferguson got his chance when Anchor Hocking's disappointing results continued last year, and its board, ignoring the wishes of Chief Executive J. Ray Topper, asked Newell for a bid. Anchor's shareholders accepted his $32-per-share offer in July.

Already, Ferguson is reshaping his prize. Bids were due Oct. 1 for Anchor Hocking's $182 million (sales) packaging products unit. Ferguson figures that, plus Anchor's $80 million food services division and its 20 retail stores, will bring in $200 million to help him cut Newell's debt.

That will let Ferguson focus on Anchor Hocking's consumer glassware, microwave plastics and decorative hardware businesses, with combined sales of $450 million—the businesses he was so hungry for last year. Only the latter two are now profitable, but by cutting costs and improving customer service, Ferguson expects each one to have operating margins of at least 10% by next year.

Given Newell's recent performance, that should not be hard. On average, the company's businesses had margins of 11.4% last year, and in the first six months this year Newell's net earnings grew 37% on a sales gain of only 3%. "We've got a plateful to digest," Ferguson says, "but we have done this so many times that we know the routine."—**A.A.L.**

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THE COMPANY NEWSLETTER

All-Stars Clinch Division Title

Heavy hitting powers All-Stars to the top

Last night, the All-Stars won the game, the title and a chance to shuffle off to Buffalo next week for the championships.

The All-Stars powered themselves to the top with a 9-5 victory over the Grass Stains, who had been tied with the All-Stars for first place. The game was tight until the bottom of the fourth when the All-Stars blasted into the lead with two home runs to the upper deck in left field.

The game was highlighted by a most improbable play in which three All-Star players, each running at different speeds, ended up on third base at the same time. Fortunately, the third baseman missed the throw from centerfield, allowing two of the runners to score.

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Forbes Informer

Edited by Gretchen Morgenson

I shall return?

Is Sanford Weill, ex-boss of the Shearson brokerage firm and former American Express president, really happy running Commercial Credit Co., that profitable but relatively lowbrow consumer loan company based in Baltimore? Don't count on it. Look for Weill to use Commercial Credit as a nucleus for a far larger and more diverse financial outfit. Already Commercial Credit holds a 22% position in Interregional Financial Group. This is the parent company of two regional brokers, closely held Dain Bosworth of Minneapolis and Rauscher Pierce of Dallas. Could be the start of a sort of superregional brokerage firm. Weill won't comment, but at 54 he has lost none of his fire and ambition. So the betting is, Wall Street hasn't seen the last of him.—**G.M.**

Apollo plays with fire

In late September Apollo Computer announced a third-quarter charge of $5.7 million—which could erase much of Apollo's earnings for the period. Apollo's problems had nothing to do with the computer business; its workstations continue to sell extremely well. It seems the hot little computer company was messing with foreign exchange trading. Like many high-tech outfits, this one does a lot of business abroad and needs to hedge currency fluctuations. The company says the trades were "concealed from company officials and executed in direct violation of company policies and procedures." Here's what happened:

A company executive was papering over his losses with historical rate rollovers—lots of them. What's a historical rate rollover? In this case, it's when you roll over a losing currency contract, in effect borrowing the difference between the two rates from the bank that handles your trading. It works until the bank tells you to settle your position or a colleague calls your bluff. At Apollo probably the latter happened. Rumor has it the losses may be bigger than reported, but an Apollo spokesman says the company is "fairly certain" that all the losses have been uncovered.—**G.M.**

The Whoops! winner is . . .

The folks at Merrill Lynch are much relieved to have their blame as one of the underwriters in the Washington Public Power Supply System bond disaster settled for $3.5 million. Seems it was costing Merrill more than $2 million a year in fees to the law firm of Rogers & Wells just for this one case. Add the fees the plaintiffs' lawyers will collect, and it's clear they have so far gotten more out of this sensational bond default than have the unfortunate investors.—**G.M.**

Will Brits buy our tanks?

Britain invented battle tanks in World War I, but the British Army could end up equipped with U.S. tanks. After the British Challenger did badly in a test shootout in Saudi Arabia against the American M-1 and the French AMX, the U.K. Ministry of Defense asked Washington how much and how soon for 650 of the General Dynamics-built M-1s. The answer, in a confidential Sept. 9 letter: 110 tanks delivered in 1991-92. 270 the following year and 270 in 1993-94. Cost: around $4 million a copy, $3.1 billion for the lot. The Brits have also asked the French and West Germans for quotes on their tanks. When this news hits Britain, count on another terrible row about selling out Britain to foreigners. Especially so since the Pentagon pays only $2.15 million each for the M-1s. A decision on who wins the bidding war is planned by summer of next year.—**Howard Banks**

Try our wares

Got a slow-moving issue of stock you want to issue? To make it fly off the shelf a little faster, take a tip from the folks at S2 Golf Inc., a moneylosing club manufacturer in Fairfield, N.J. Each of the company's 1,200 units currently being offered carries a certificate good for 2,000 shares of S2 Golf common stock and one "club certificate." The club certificate can be traded for one of two S2 golf club sets that the concern manufactures—each has, according to the company's prospectus, a fair market value of $400.

Listed in the pink sheets, the stock currently trades around 62 cents a share, making the 2,000 shares worth $1,250. Since the units sell for $1,500, the investor is getting the $400 set of clubs for $250. Not a screaming bargain, but better than most in the new-issue market these days.—**G.M.**

Fax track

Having surpassed Americans in so many fields, the Japanese seem determined to catch up with us in conspicuous consumption. Now that car telephones are commonplace there for

busy execs, the lifestyle of the truly important has started to include an in-dash fax machine to help make productive the frustrating hours amid Tokyo's traffic jams. Take a memo. . . .—**G.M.**

The Wally and John show

Remember former New York Mayor John Lindsay? Remember ex-astronaut Wally Schirra? They've teamed up to lend their names to an air charter company that has yet to get off the ground, NetAir International of Van Nuys, Calif. Schirra is vice president for quality assurance, and Lindsay is on the board. Trading over Nasdaq, NetAir recently went for 28 cents a share and has lost more than $1 million since it came public in 1984.

What's in it for the celebrities? Cheap stock. Lindsay owns a little more than 2% of the company's 21 million outstanding shares, and Schirra about 4%. They paid pennies a share for their shares; the public paid $1 a share.—**Marc Beauchamp**

Les raiders

How do the Europeans feel about the internationalization of the markets? If they are established managements, not so good. Corporate raiders are old news Stateside, but in France they are just starting to bite. One recent corporate battle involved control of Prouvost, a huge textile concern, that had been raided by Chargeurs, a conglomerate that owns, among other things, UTA airlines. After a hot battle, Prouvost management is hanging on by the fingernails: controlling just over 50% to the raider's 47%. Some French companies are starting to adopt poison pills. Rough translation: *un cadeau empoisonné*.—**G.M.**

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Readers Say

No kidding

SIR: Re your article on computer-manipulated photography ("Is it real or is it Scitex?" *Sept. 7*). As the nameplate states, it's Mr. North who's testifying.

One picture may be worth a thousand words, but one word can give away a fake photograph.
—John Catrambone
Hoboken, N.J.

Lest our doctored photo be mistaken for the real thing—in the event a reader ignored the accompanying caption—we refrained from going all the way.—ED.

Electronically merged photo

Shooting stars

SIR: Re your article on the richest entertainers ("The fault is not in our stars," *Sept. 21*). These are moneymaking machines. The American public always looks for superhumans to idolize. These entertainers are pedestaled à la John Wayne, who never did anything for our country but act. The true measure of a man is what he does for humanity.
—Bernard Davis
Canfield, Ohio

SIR: I was surprised to read that because my family has never watched *The Cosby Show* we are "soul dead" (*Fact and Comment, Sept, 21*). Perhaps I should stop reading your magazine during prime time and start watching TV so that I, too, may be enlightened by Hollywood.
—Jeff Tait
Moorestown, N.J.

SIR: Of the top 40 entertainers, 18 are in music, of which 12 are rock musicians. As Mel Torme said, we've let our cultural tastes be dictated to us by 13-year-olds. They determine the box office hits, the Top 40 singles, fashion styles and the TV shows that survive. Why? Adults give them too much unearned income that is translated into mass media choices from which the entertainment moguls make their bottom line decisions.

We have also abdicated buying good music for ourselves. Too many of us spend our best efforts making money and then forget that our minds can also be used after hours in our leisure-time pursuits.
—Gary Alexander
Metairie, La.

SIR: To those still wondering what they can sell the Japanese, your cover story said it: entertainment.
—Robert B. Alen
Los Angeles, Calif.

Indecent exposure

SIR: Your article implied that First Investors ("Door-to-door funds," *Sept. 21*) representatives are both incompetent and inexperienced.

First Investors seeks people who are motivated and sales-oriented. Prior knowledge of investments is valued but not essential.
—Richard H. Butler
First Investors Corp.
Hingham, Mass.

SIR: Your article on First Investors Corp. was all true. As a former "manager" with this organization, I listened to outlandish claims of power and wealth being achieved by their representatives, witnessed an office turnover rate that approached 100%, and was pressured by corporate executives to recruit prospects regardless of their background or their qualifications.

The investment industry, whose public image is already seriously tarnished, does not need the stigma that this company imposes. The main question is, Where is the NASD in this matter?
—T.W.S.
Louisville, Ky.

Saying uncle

SIR: In the Sept. 7 issue there was a perfect illustration of the problem FORBES has created for Sam Walton. Look at the headline on the article about Family Dollar Stores:

Family Dollar Stores lost its way and found itself head-to-head with that Arkansas billionaire Sam Walton.

Family Dollar Stores did not have a problem because they went head-to-head with a billionaire—other billionaires you identified in 1986 would not have frightened Family Dollar Stores a bit. Their problem was caused by going head-to-head with the "Master Merchant, Sam Walton."

Even when Sam was not a billionaire, Family Dollar Stores would have had a problem when they came into Sam Walton territory.
—Robert Kahn
Lafayette, Calif.

Ethics 101

SIR: Re your comments on the futility of teaching business ethics at the graduate level *(Fact and Comment, Aug. 24)*. Forty years ago in graduate class, I asked the late Elliott Dunlap Smith, a lawyer, educator and author, if he thought honesty was the best policy. "No," he snapped, "honesty is the *only* policy."

His firmness stunned the class, but I doubt if many have forgotten that advice. Ivan Boesky (and even Oliver North) might have done better if they had been sitting among us on that day.
—Gerald C. Meyers
Pittsburgh, Pa.

Conception exemption

SIR: You make a recommendation that the tax exemption for children be increased from $2,000 to $8,000 or $10,000 in order to encourage parents to have more children *(Fact and Comment II, July 13)*. I asked my wife and several other mothers about your idea. They all assured me that at the moments of conception and delivery none of them were thinking about the personal dependency exemption. This view was confirmed by the husbands of all concerned. One father, armed with this new knowledge, has a greater appreciation for his daughter, but does not plan to invest in another exemption.

Instead of reducing our federal revenue by increasing exemptions, let's provide better education, job training and opportunity to those whose parents can't so provide.
—Burke A. Christensen
Bryn Mawr, Pa.

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Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

INSTEAD OF "HEIGH-HO" FOR THE SEVEN DWARFS, THE NEW TUNE

for Democratic presidential aspirants should be "Ten Little Indians." And begin with the bit, "... and now there are six."

When it gets nearer the convention without anyone's having a near majority, it will be time to sing the final line, "... and now there are none."

At which point, brought forth as Indian Chief is Mario Cuomo.

ROBERTSON'S IOWA WIN IS A MEANINGLESS STRAW

Should the Republicans and the rest of the nation be unduly upset over airwaving evangelist Pat Robertson's Iowa "win"? Does it portend a serious political takeover from the self-righteous Right?

No.

Thank God.

In that straw poll, anyone who signed up and anted up 25 bucks could vote. Recognizing this opportunity for early headline grabbing, the preacher's believers were brought in from hundreds of miles around to be "heard." And they were. Three days later in Michigan's Republican State Central Committee, his True Believers won a procedural vote affecting the choice of delegates to the National Convention.

There's no doubt that the Robertson vote in the primaries will clip some votes from the other aspirants. But what once seemed like a surging wave for the evangelical TV preachers has receded. The well-aired antics of some of these Voices has disillusioned large numbers of the illusioned.

The voices from on-the-air pulpits will be heard, but they will not dominate. Mr. Robertson will have his say, but it won't be disproportionate.

WOULD YOU BELIEVE BLOCKING CHEAP, CLEAN CANADIAN POWER

for New England is a distinct possibility? And the villains would be two of the least likely bedfellows—environmentalists and the coal industry.

Quebec has made a vast investment in hydroelectric power (FORBES, *Mar. 31, 1980, p. 22*). More and more of this is coming on stream (or, since it's water power, I suppose we should say "off stream"). Central Maine Power Co. has signed a letter of intent to buy from Hydro-Québec billions of kilowatts in the next three decades at half the price of what it would cost the U.S. company to generate with its own coal or oil-fired plants.

Half the cost. Clean. No capital investment.

So who loses? Obviously, the coal industry.

But why are the environmentalists trying to persuade Maine citizens that this is a bad deal? Because power towers ain't all that pretty. Acid rain's prettier?

Both lobby groups direly warn about becoming too dependent on this "foreign power"—northern neighbor Canada, that is. They would rather we continue re-increasing our dependence on volatile Mideast oil, threatened by the Iran-Iraq conflict and the danger of religious fundamentalist revolutions fanned by Khomeini. Canada supplies a 1.7% share of total U.S. electricity needs, compared with the Mideast's sizable hunk.

The coal industry's objections are understandable, but the environmentalist attitude verges on the ridiculous.

It would be surprising and disillusioning if the flinty Mainers supported expanded dependence on the volatile Arab world and more coal, instead of clean power at half the price from a neighbor.

TWO GIANT U.S. BUSINESS EFFORTS THAT FAILED IN BRAZIL

A couple of America's biggest dreamer-doers came a cropper on a very costly scale in Brazil's vast Amazon.

During our Forbes *Highlander* voyage up that incredible river *(see p. 193)*, we helicoptered into these two totally

Photos by Chuck Dixson

Fordlandia: middle America in the Amazon basin

different, widely separated sites, where the visions as envisioned by these two Amazon tycoons had vanished vanquished.

We found both areas vibratingly alive today, but dancing to very different drummers.

Henry Ford's Fordlandia was an allout attempt to create a systematic rubber tree plantation in the country that, for a heady decade, had been the world's natural rubber capital. In Brazil jungle-scattered wild rubber trees flourished. But the blights that might kill the occasional scattered tree repeatedly wiped out the orderly rows of the Ford plantation. Henry finally abandoned the effort after World War II.

Fordlandia's plantation headquarters and community boasted a spaciously large hospital, orderly rows of housing, school, church, a 1920s modern power plant. Executive houses faced a paved street with cement sidewalks, park benches and streetlights. In an extraordinarily eerie way, Fordlandia replicates an ordinary American company community in Michigan, or anywhere in middle America. It's as if it were preserved in amber.

Though there remains a desultory bit of rubber tapping, the houses of the community are overflowing with families, and the schoolhouse was being added to when we visited. The people work largely in agriculture, and Henry Ford's written-off model community is ably administered by a branch of the Brazilian government. On the streets where administrators at this far outpost of the Ford empire lived, the houses are occupied by Brazilian supervisors and official visitors.

Nature beat back this effort to bring productive efficiency where there had been little. But old Henry built so solidly that Fordlandia survives and thrives in a sort of tribute to his determination and imagination.

* * *

Daniel K. Ludwig's dream, the most gigantic one of all, had behind it what was at the time of its undertaking the most gigantic of U.S. fortunes. He was at the top of the heap in the first FORBES listing of the 400 richest people in America five years ago.

He sank between $1 billion and $2 billion in creating a vast (3.5 million acres) undertaking to farm trees for pulp to be squeezed into paper. It's unlikely that the reclusive and painfully ailing Ludwig will recover a penny of what he's sunk. While the jungle produced huge challenges, what did him in was the cantankerous old shipper's adamancy against admitting any Brazilian government agen-

Jari: $2 billion dreamed away

cies to check on this sizable foreign-owned chunk of their country and its workers.

His dream, though, is more realized than many realize.

The huge power plant and paper mill, prefabricated and towed to their resting place hundreds of miles into the Amazon, has been functioning at near full throttle. We watched it turning out tons of various high-grade papers. We were told that the operation loses $30 million a year because the feeder plantation is only operating at about half the scale projected. Clay sales from huge deposits pick up much of the mill's operating loss.

But after eight years of functioning in the jungle, the

Fordlandia today: (l) school's adding on; (c) more kids than ever; (r) exec house now guest house

plants are closing down for what was estimated to be a $15 million maintenance job—which is likely to turn out to be considerably more.

Interestingly, the fierce and ongoing fear of environmentalists—worldwide as well as in Brazil—that turning such a big area of jungle into tree farming would harm the ecology has turned out to be a false alarm. The acres growing ordered stands of trees apparently give off more of good things like oxygen than do comparable acres of decaying jungle.

The only thing so far shattered by Daniel Ludwig's near-realizing of his great dream is a chunk of his bankroll.

Right now, it's dubious that Brazil can afford to invest the huge amounts required to make the enormous undertaking reach a scale that will bring major economic success.

Henry Ford and Daniel Ludwig have added two more amazing tales to the Amazon, the world's most amazing river and most amazing jungle vastness.

A VERY FUNNY BIT OF WIT FROM GERMANY'S FOREIGN MINISTER

The Minister, Hans-Dietrich Genscher, described his appearance before a Bonn parliamentary investigating committee:

"They asked me my profession, so I answered: 'Greatest Foreign Minister of all times.' I really didn't want to have to say that, but I felt I had to tell the truth since I was under oath."

His audience cracked up.

A WONDERFUL EPITAPH FOR THOSE WHO MERIT IT

"Here Lies One Who Spent His Life While He Had It"

SAVING PAPER CLIPS
is often more worthwhile than saving
the stuff that's stuffed into 'em.

GREATNESS
is often hard to detect
because it's seldom there.

BOOKS

● **Amazon**—by Brian Kelly and Mark London (Holt, Rinehart & Winston, $9.95). The Amazon yet remains our globe's vastest, mostly inaccessible wilderness. This basin, a part of eight countries, feeds a river down which flows almost a quarter of the world's fresh water. This book by two intrepid journalists is loaded with factual fascination about a legendary region that's being challenged as never before.

Excerpts: *This wet, stable climate has produced a huge variety of plant life. The vegetation that covers the basin is one-half of the remaining forest on earth. Those trees, according to some accounts, provide at least 15% of the world's new oxygen—although it is just as easy to find experts who say they provide none. The basin is, in variety of living things, the richest area on the globe. Perhaps one million of the world's estimated five million species of plants and animals live in the Amazon, many live nowhere else. Several hundred kinds of trees often can be found on a single acre of jungle. Scientists have cataloged 2,500 species of snakes, 2,000 of fish (the Mississippi has 250), 1,500 of birds and 50,000 species of higher plants—about a fifth of the world's total. . . . The river itself starts in the Peruvian Andes and runs 4,007 miles along the Equator to the Atlantic Ocean. The Amazon runs into an enormous shallow bowl that makes up most of the center of South America. Through the middle of the bowl, the Amazon River cuts a deep trough that drops only 100 feet in its final 2,000-mile course to the Atlantic, pushing an estimated 160 million tons of silt a year along the flood plain. The daily flow is enough to supply New York City with water for nine years. The Amazon basin is drained by 200 major tributaries, 17 of which are more than 1,000 miles long and 10 of which discharge more water than the Mississippi. The basin holds one-fifth of the fresh water in the world.*

● **The Invisible Billionaire Daniel Ludwig**—Jerry Shields (Houghton Mifflin Co., $19.95). Known by Forbeses for a long time, Dan Ludwig was livid with us when the first FORBES Four Hundred Richest People in America *(Sept. 13, 1982)* spotlighted him as then number one. His dour reclusiveness, abrasive aggressiveness and intolerant temper didn't keep this money-driven man from making the most. But it did lead to losing most of the $billion-plus he expended in a stupendous vision of developing a part of the Amazon's extraordinary timber, paper and clay resources. This is the most comprehensive story yet on one of the most press-paranoid, not-happy, towering tycoons.

Excerpt: *How do we assess [Ludwig's] career? No matter what colors we use for his portrait, we must paint him on a large scale—much larger than life. There can be no question that he has had a very powerful impact on his time, far greater than the influence of many better-known entrepreneurs. Because he has lived, the world is a different place from what it would have been otherwise. A recent National Bulk brochure boasts that Ludwig's ships have moved an estimated* billion tons*—two trillion pounds!—of cargo from one part of the globe to another. That's roughly four tons of material for every man, woman and child in the U.S.*

"The only thing that used to bring this company together was corporate softball.

Even then we weren't exactly championship material. You put people in little cubicles, in separate buildings, using separate phone systems and you're bound to end up looking minor league. Something had to change. And it did. When we plugged in that communication system from AT&T. We began cutting costs on redundancies. And started working like a team of pros. Anticipating each other's moves, covering bases. As for our scorecard, would you believe a 9 and 1 season?

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The right choice.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

Half-Dozen a Day

Each day Moscow and Washington together produce six new atomic weapons to add to the near 50,000 they already have.

—James Reston, *New York Times*

To Raise Hell

When representatives of Tammany Hall tried to persuade Henry George, the hurler of some of the most powerful antibusiness thunderbolts in our history, not to run [for Mayor of New York] on the grounds that "you cannot be elected, but your running will raise hell," George replied: "You have relieved me of embarrassment. I do not want the responsibility and the work of the office of the Mayor of New York, but I do want to raise hell!"

—Peter Baida, *American Heritage*

New Colonialism?

The future outline of the U.S. trade bill now seems pretty clear. After the unavoidable political charades and skirmishes, a protectionist law is likely to be born. A lawyer's paradise, a consumer's nightmare and a bit of improvement in the U.S. trade balance, say, $3 billion to $4 billion, would follow Rosemary's baby. My only hope is that at least the Japanese do not overreact in a nationalistic manner to the ultimate, ugly shape of the new law.

The new round may, at most, produce an array of "members only" clubs within GATT [General Agreement on Tariffs and Trade], formed around separate sector-specific and subject-specific codes, each of them signed by five to ten participants.

The result would be a "Reciprocity Club" or a "Level Playing Field Club" in which only members enjoy the cucumber sandwiches and cricket. Such a dichotomy would lead to a *fin de siècle* version of blatant colonialism, or a resurgence of the economic blocs that prevailed earlier in this century. Would Japan be a contented honorary white in such a club?

—Kazuo Nukazawa, director of the International Economic Affairs Department of Keidanren, a leading Japanese business organization, *Wall Street Journal*

Courtesy Recycled Paper Products, Inc.

Amen

Gary Hart gives me the pip.

—James Brady, *Advertising Age*

Fragile Colossus

The fatal irony of the Amazon: Despite the apparent lushness of tropical forest, when you cut it down, it does not readily grow back. The fertile soil of the jungle floor is extremely thin—sometimes only an inch deep—despite the huge trees it supports. When those trees are cut that soil quickly erodes, baring a layer of clay which bakes in the sun to a brick-hard surface incapable of sustaining much life. The Amazon, half the remaining forest on earth, is an extremely fragile place.

—*Amazon*, by Brian Kelly and Mark London

Death Blow

The photo editor at the *Herald Tribune* sent me out on an assignment. I'd been too embarrassed to bring my camera to the [job] interview. So he lent me one—loaded, thank goodness, because the camera he gave me I had no idea how to open or close. So I took off to this luncheon and shot my roll of film, and the man standing behind me in the lunch line said, "Oh, I see you're using the new Pentax. I just wrote a brochure about that camera." And I said, "Oh, that's wonderful. Would you mind unloading it?" Because I really didn't want to go back to the *Tribune* and hand in my loaded camera; I thought it would look more sophisticated to be able to give them the roll of film. So he unloaded the camera, and he said, "And what brings you to this lunch?" I told him I was covering it for the *Herald Tribune*—and I'm sure to this very day that man has no question in his mind as to why the paper folded.

—Jill Krementz, author/photographer, in *Cosmopolitan*

To be successful, we must be willing to make what sells—not sell what we make.

—Roberto C. Goizueta, CEO, Coca-Cola

Keep Quiet

Listening is tremendously important, and yet we abhor and are frightened of silence. The most beautiful things could go on if we were silent. If you are a counselor, if you ever want people to talk, just be still. After a minute they'll say anything.

—*Living, Loving & Learning*, by Leo Buscaglia

Flat Myth

Sailors, any kind of scholar—indeed any educated person through the centuries—conceived of the earth as round. The great myth of the flat earth may have been started by textbook writers in the 19th century to make the Columbus story sound more exciting. Globes of the spherical earth were being made and sold commonly through the Middle Ages and in the Renaissance long before Columbus' time. Indeed, as Aristotle had pointed out, you can see the round shadow of the earth crossing the moon in every eclipse.

—*Treasures of the Library of Congress*, by Charles A. Goodrum

No Take

Adele F. Weiss telephones the Whitney Museum of American Art to find out if her husband should bring along his camera.

"Hello," she says. "Is picture-taking permitted at the Sargent exhibit?"

"Would you repeat that, please?"

Mrs. Weiss asks the question a second time.

"No. You have to look at the pictures on the wall. You can't take them off the wall."

—Ron Alexander, Metropolitan Diary, *New York Times*

Moving in the Same Direction

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Fact and Comment II

By M.S. Forbes Jr., Deputy Editor-in-Chief

THE STOCK MARKET

Its volatility is in the news. But what is remarkable is how well equities have held up in the face of a considerable amount of unnerving news.

The congressional trade bill would be a disaster for the U.S. and world economies and yet the Administration is hinting it might try to reach a "compromise." Any compromise acceptable to Congress would be unacceptably damaging to the rest of us. The shaky condition of our free trade talks with the Canadians is also unsettling.

Alan Greenspan hasn't been very reassuring, either. He has been passive in the face of a possible German and Japanese monetary tightening. Such a squeeze would worsen our trade picture and would be a dampener on all of our economies. Greenspan's Fed still seems unable to defend vigorously, publicly the integrity of the dollar. A few firm, well-spoken words from Greenspan himself would do wonders for the market's confidence.

The foreign policy situation is also a source of anxiety. The prospective nuclear arms agreement could loosen Germany's ties to the West. The Administration's mixed signals concerning Nicaragua and Afghanistan can only dishearten the forces of freedom.

The budget deficit shrinks, but talk of a tax increase grows louder.

It is a tribute to the power of the substantial income tax rate reductions enacted last year that stocks have maintained their value as well as they have.

The current shakiness can easily be cured by the Administration's regaining the firm sense of direction it seems to have lost in recent months.

TAKEOVER—A POSITIVE FORCE

MSF Jr. was asked a couple of weeks ago by The Nightly Business Report *to comment briefly on the rash of antitakeover laws. The following are excerpted remarks from the program.*

Wisconsin and a number of other states are passing laws to obstruct hostile takeovers of home state companies.

This movement is ill-conceived. It is bad news for stockholders and for the American economy.

Such laws have obvious political appeal. But they will interfere with shareholders' rights to sell to someone at an agreed-upon price. And they will help entrench incumbent managements. How do you make these executives accountable if you isolate them from the pressures and voices of the markets? Such protectionism can breed complacency, insularity and mediocrity.

One of the great strengths of the American economy has been its ability to adapt and to adjust to changing circumstances. Managements need to be responsive to, and not shielded from, these pressures. Change, not stability, has been the characteristic of the American economy for generations. It has been the wellspring of our prosperity.

As we pointed out in our 70th Anniversary issue, a number of studies have shown that the chief beneficiaries of takeovers and mergers are the stockholders of the acquired companies, who are often saved from bad management.

Do takeover pressures force managements to concentrate on the short term, thereby harming the future? The evidence indicates that most takeover victims had little reputation for farsightedness.

We're not talking about insider trading, which is illegal. Nor are we talking about such notorious takeover abuses as greenmail and golden parachutes. There are several proposals before Congress and state legislatures that would bar these unconscionable, immoral practices. To use outrages as an excuse to obstruct unwelcome acquisition offers, however, is similar to calling for the abolition of automobiles because of the frequency of accidents.

Antitakeover laws protect the interests of a handful of entrenched executives. And this is not in the interests of an American economy in an increasingly competitive, fast-changing world.

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Edited by Howard Banks

BETTER NEWS FROM THE FARMS

Mother Nature smiled, and farm income blossomed

THE WEATHER AND GOVERNMENT SUBSIDIES determine how well things are going down on the farm. Both are in the pink this year.

The sun shone and the rain fell to suit the crops, and harvests are bountiful. Encouraged by government payment schemes, the farmers planted fewer acres, but yield was up. For example, 9.5% fewer acres of winter wheat yielded 2% more bushels.

Rice is down a bit from last year's record, but most other crops, such as soybeans and corn, also had high yields. Livestock farmers have increased production of chickens and pigs—and even beef, despite the decline in per capita red meat consumption.

Farmers gained because they planted their best land, which needs less fertilizer and the like, cutting unit costs.

The steady weeding out of marginal farms continues *(see chart)*. The average farm size this year will be around 461 acres, up from 456 acres in 1986 and almost double the 1953 acreage. Larger units allow more efficient use of machinery, also cutting unit production costs.

Net cash income for farms will be a record $54 billion to $58 billion this year. In real (inflation-adjusted) terms, that will be back to the long-run average since 1959 (ignoring an atypical peak in 1972-75 and a sharp downturn in the early 1980s). Moreover, the decline in the number of farms means that real income per farm this year will be close to double the level in 1955.

That, in turn, has created a miracle in farm subsidies. Government outlays to farmers this year are expected to be around $23 billion, down 11% on the 1986 peak. Partly this is a result of improved U.S. farm exports, aided by a lower dollar. But it is also the result of higher subsidies "buying" export markets by cutting U.S. prices, as they were intended to do. The more that U.S. farms export, the smaller the quantity of unsold crops the Feds are required to buy.

Subsidies to farmers could be down to $20 billion by 1989-90, which is good. As recently as 1981 the subsidy was just $4 billion.

But the farmers' bankers still need a bailout

THE STRAIN ON THE FARM CREDIT SYSTEM is obviously eased by the boost to farm incomes. Some 9% of commercial farms (sales over $40,000 a year) were defined as financially vulnerable in 1986, down from 10% a year earlier.

The FCS' $42 million second-quarter loss was down from $762 million a year earlier, but no new loan-loss provisions were added by the system, and the interest spread failed to cover operating costs.

Washington, meanwhile, fiddles over a bailout. How to keep it from swelling the budget deficit but still paper over the cracks until after the 1988 election remains the top political priority.

The Forbes Index

Where will we live? Rising mortgage rates continue to weaken the housing sector. The 12-month total of housing starts fell 1.2% in August. The number of new starts in August, 143,600, was the lowest total for this month in five years.

Despite the weakness in housing, however, The Forbes Index rose 0.6% on the strength of gains posted by other sectors. Retail sales increased 1.3% in August, the biggest jump in six months, to an annual $1.54 trillion. Consumer spending is likely to remain strong. Personal income rose 0.9% from July to August, to an annual rate of $2.22 trillion. Strong gains in the output of business equipment and consumer goods supported a 0.3% increase over the July figure for industrial production.

The Forbes Index Components

The Forbes Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, total consumer installment credit.

To measure these eight elements, FORBES monitors ten series of U.S. government data. The last 14 months' data for each series are presented at right.

Consumer price indexes (1967 = 100) all urban consumers, unadjusted (Dept. of Labor)

New housing starts (thousands) privately owned, unadjusted (Dept. of Commerce)

Industrial production index (1967 = 100) seasonally adjusted (Federal Reserve)

Manufacturers' new orders and inventories ($billions) seasonally (Dept. of Commerce)

Personal income ($billions) wage and salary disbursements, seasonally adjusted (Dept. of Commerce)

Unemployment claims average for month (thousands) seasonally adjusted (Dept. of Labor)

Retail store sales ($billions) seasonally adjusted (Dept. of Commerce)

Consumer installment credit ($billions) total, seasonally adjusted (Federal Reserve)

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Forbes

The late Swedish neutralist, Olof Palme, apostle of peace and friend of the poor countries, turns out to have been one of the world's top arms salesmen. The Ayatollah is grateful.

Rhetoric and reality in the Iranian arms trade

Sweden's late prime minister, Olof Palme
Armaments, not disarmament, were on Palme's mind.

By Pranay Gupte

ON A CRISP January morning in 1986, Sweden's late Prime Minister Olof Palme walked through a heavily guarded garden in New Delhi with his friend and political soulmate, Indian Prime Minister Rajiv Gandhi. Palme was no friend of the U.S.: He once likened the U.S. bombing of Hanoi to Hitler's efforts to exterminate the Jews. Palme fairly oozed sentiments of peace and friendship for the Third World.

Some friend. Some peace-lover. Armaments, not disarmament, were on Palme's mind in that Delhi garden. Gandhi listened carefully as Palme spelled out how Sweden would sweeten a deal under which India would buy, for $1.3 billion, 400 howitzers from AB Bofors, a failing Swedish weapons manufacturer. To undercut an attractive offer from a French competitor, Palme was prepared to offer India unprecedented state export credits. Sweden had previously prohibited such credits for arms deals.

Gandhi was interested. The Bofors 155mm gun would enable India to shell Lahore, a large city in neighboring Pakistan, from within Indian territory. And it would be cheaper to do so with Swedish howitzers than with French guns.

Within a few weeks India and Sweden signed the deal, and Sweden started shipping Bofors howitzers at the rate of 14 a month. The order guaran-

teed employment for the company's 5,000 workers for at least another four years. Bofors' chairman threw a champagne dinner for all employees and their families.

The celebration was, however, premature. It turned out that more than cheap credits were involved in the deal. Bofors officials have recently admitted that Bofors paid "commissions" totaling more than $40 million to Indian middlemen. Swedish law prohibits bribes for arms deals, but business is business. Peaceful sentiments are cheap, hard cash is not.

Did Rajiv Gandhi or people close to him receive the commissions? Gandhi says no. Bofors will only say that money was transferred into the Swiss bank accounts of three foreign companies. (Critics in India have put the number at ten.)

An investigation is gathering steam in New Delhi. While the Gandhi government is not tottering as a result, it is at least as embarrassed by the revelations as the Reagan government has been by the Iran/contra affair.

What did Olof Palme know about Bofors' Indian payments and when did he know it? A month after his meeting with Gandhi, Palme was assassinated as he left a Stockholm movie theater. His assassin has yet to be apprehended.

Another official who might have shed light on the mystery is also dead. Carl-Fredrik Algernon, director of Sweden's arms agency, had emerged as a key figure in various investigations of Bofors. In January of this year Algernon fell—or was pushed—to his death before an incoming subway train at Stockholm's Central Station. His death has been officially termed an accident, possibly a suicide. Almost nobody believes that.

A picture is beginning to emerge in which Olof Palme, the man who was posthumously awarded India's Jawaharlal Nehru Prize for promoting world peace and nonviolence, was in fact one of the world's leading arms salesmen.

Politics made him so. Sweden's arms industries suffered from declining domestic demand. Arms exports not only helped areas like Karlskoga—where Bofors employs 80% of the work force—but also paid for technological research in defense.

Was Palme simply bending his principles to accommodate friend Rajiv Gandhi? Not at all. While mouthing peaceful sentiments, Palme and the Swedes were energetically pushing arms onto Third World countries that could ill afford them.

For example, Sweden has been a supplier of arms to the Ayatollah in Tehran. Sweden is neutral in the war between Iran and Iraq—officially. But its trade account certainly favors the Iranians. In the three years after Palme took office (for the second time) in 1982, Sweden concluded oil deals with Iran amounting to nearly $200 million, while buying almost no oil from Iraq.

What did Iran get in return? Consumer goods—more than $500 million worth in 1984 alone—and arms. Swedish arms producers—mainly Bofors—were providing Iran with nearly 1,000 RBS-70 antiaircraft missiles, among other items

Legally, Swedish companies are forbidden to export arms to areas enmeshed in armed conflict or human rights violations. But such laws are for public relations. The Bofors RBS-70 missiles, for example, were routed to the Middle East through two Singapore companies, Allied Ordnance of Singapore (AOS) and Unicorn International. AOS is partly owned by Sheng Li Holding Co., the Singapore Defense Ministry's investment company, and by Bofors.

Here's a twist: According to Sweden's Bureau of Statistics, Singapore, whose defense requirements are modest, was Sweden's biggest weapons customer between 1977 and 1986. It bought $1.4 billion worth of armaments, or almost 11% of all Swedish arms exports during the period.

Photos by Stuart Franklin Magnum

Global arms merchant Sam Cummings

Cummings says he turned down Iranian offers to buy $3,000 missiles for $10,000 because the trade is illegal. Are Europeans so scrupulous?

University of Sussex arms researcher Chris Smith

Missiles are only a part of the story. In 1983, when Palme was prime minister, Sweden's shipbuilding firm of Boghammer Marin delivered some 40 speedboats to the Iranian coast guard, an order reportedly worth around $9.5 million. The boats, capable of speeds up to 50 knots, have been used by the Iranian Pasdaran, or Revolutionary Guards, to attack oil tankers and other shipping in the Gulf (including Swedish-owned supertankers). These boats are now a threat to U.S. Navy ships patrolling the Persian Gulf. Sweden's War Materials Inspectorate is currently investigating charges that these speedboats were modified for military use by Boghammer Marin before deliveries to Iran.

More than 400 tons of explosives were sold to Iran by Sweden's Nobel Kemi company in the last three years through Austria, Italy, Yugoslavia and Bulgaria, according to Swedish Customs, who say that the company made $67 million on this deal.

Nobel Kemi, like Bofors, is a subsidiary of Nobel Industries, founded by Alfred Nobel. According to Stig Age, a public prosecutor in Örebro, up to 35% of Nobel Kemi's production during this period may have been diverted to illegal operations, including Iran. Earlier this year the managing director of Bofors, Martin Ardbo, resigned in the wake of suspicions over exports to the Middle East via Singapore.

Evil capitalists defying the law in the interests of profits? Hardly. Avowed socialist Olof Palme was involved in the deals up to his armpits.

Not that Sweden is alone among European countries in condemning the Iranians in public while privately helping to arm them. According to the Stockholm International Peace Research Institute (SIPRI) and the London-based International Institute for Strategic Studies, 53 countries supplied weapons or military equipment to Iran or Iraq between 1980 and 1986, and 27 of these countries have sold arms to both sides. Chris Smith, of Britain's University of Sussex, says that at least half of Western Europe's total annual production of 100,000 tons of ammunition is bought by Iran, mostly through middlemen in London, Geneva, Vienna, Paris, Hamburg and Amsterdam.

The trade is very lucrative. Sam Cummings, a leading global arms merchant, says he was offered $10,000 per TOW missile by Iran, versus the standard price of $3,000. He declined, says Cummings, because it is illegal to export arms to Iran.

French arms merchants, on the other hand, have been doing a brisk trade in the Middle East. Since 1980 France has sold Iraq almost $10 billion in weapons and ammunition. The Iraqi air force, although largely equipped with Soviet planes, also has French Mirages that fire Exocet missiles.

To cover their bets, French arms companies also have been supplying Iran. French government investigators are studying reports that a French explosives company, SNPE, collaborated with Italian firms and Nobel Industries in channeling 250,000 antishipping mines to Iran. SNPE, technically under Defense Ministry jurisdiction, has also been accused by a French magazine of providing explosives for Iranian antiaircraft shells.

Austria's export regulations, like Sweden's, prohibit arms sales to countries at war. The Austrian media have reported that as late as last year an Austrian company sold military equipment to Libya. Libya is generally believed to reroute many of its arms imports to Iran.

In Britain officials are investigating up to 50 companies suspected of transferring arms or ammunition to Iran. Among these companies is Nobel Explosives Ltd., an independent company also created by Alfred No-

India's Prime Minister Rajiv Gandhi

With the Swedish guns, India could shell Lahore from inside India.

bel. Similar investigations are under way in Norway, Italy and Belgium.

Officially, Spain does not export arms to Iran. But the socialist government of Felipe González was recently embarrassed by disclosures that, between 1983 and May 1986, Spanish-made grenades, mortars and shells for 105mm and 155mm cannons were shipped to Iran via Libya and Syria. According to investigative reports in *El País*, one of the country's most respected newspapers, four of Spain's biggest arms manufacturers were involved in the sales to Iran: Gamesa, Santa Barbara, Explosivos Rio Tinto and Explosivos Alavesas. Gamesa and Santa Barbara are owned by Spain's state holding company, INI.

Professing shock at the Bofors scandal, Swedish Prime Minister Ingvar Carlsson swore late last month that stricter rules would be drafted governing weapons exports. In London in late September authorities shut down the Iranians' arms procurement office and warned private arms dealers about stiff penalties for supplying weapons to Iran.

But it is unlikely that any of this will seriously change the reality of the flow of arms to the Middle East or other Third World trouble spots. Where money and jobs are concerned, principles and ideology don't seem to matter. ■

Secretive financier Kirk Kerkorian has made more money doing deals in Hollywood than he has making movies. All signs point to more of the same.

Doing the Hollywood shuffle

By Marc Beauchamp

FIFTEEN MONTHS AGO the stock of MGM/UA Communications Co. was at 18. Recently, with the Dow Jones industrials more than 700 points higher, the stock now languishes at 10. With his stock moldering, rumors say that Kirk Kerkorian is again going to reshuffle.

Reshuffling seems to be Kerkorian's favorite tactic.

After selling the predecessor company to Ted Turner in 1986, a few months later Kerkorian bought back most of the assets except for the MGM film library and the studio real estate. When the dust settled from that shuffling and reshuffling, Kerkorian, who had owned 50% of MGM/UA, ended up with almost 80%.

While the secretive Kerkorian, 70, has been investing in Hollywood properties for nearly two decades, his motive has always been profit rather than the glitter of making movies. Lately Kerkorian's attention seems to have wandered from films to older passions—Las Vegas and airlines.

In September he bought Las Vegas' Desert Inn Hotel & Casino and Sands Resort & Casino for $167 million from Summa Corp. The same month he launched a first-class-only airline, MGM Grand Air *(see p. 170)*. He is also looking at Pan Am Corp. as a possible investment.

In July Tracinda Corp., Kerkorian's closely held investment company, filed an offering with the SEC for a new company called MGM Grand, Inc. MGM Grand Air and the two Las Vegas hotels will be subsidiaries. Other related acquisitions are planned.

Meanwhile, back in Hollywood, MGM/UA's assets still include TV and movie production companies, a distribution company and some 950 old United Artists films Kerkorian bought back from Turner. Mark Manson, an analyst at Donaldson, Lufkin & Jenrette, estimates MGM/UA's asset value at $20 to $22 a share. Kerkorian's longtime lawyer, Gregson Bautzer, puts the value of these assets at more like $30 a share. Bautzer says that, properly merchandised, the 950-title library, which includes all the Rocky, James Bond and Pink Panther series, alone could be worth anywhere between $800 million and $1 billion. That is considerably more than the $500 million price the market now puts on the whole company.

In MGM/UA Kerkorian also has a film company that has begun to show signs of life again. This summer it had two strong movies, Mel Brooks' *Spaceballs* and the new James Bond flick, *The Living Daylights*. Lee Rich, 67, the chief executive brought in from Lorimar-Telepictures at $1.25 million a year, has put together a credible lineup of forthcoming pictures. In addition to the just-released *Baby Boom* with Diane Keaton and Sam Shepard, over the next six months MGM/UA will release *Overboard*, a Goldie Hawn-Kurt Russell comedy for Christmas; and *Moonstruck* starring Cher. The much-talked-about *Bright Lights, Big City* starring Michael J. Fox and produced by Sydney *(Out of Africa)* Pollack is set to open in February.

So why is the stock languishing? In part because the profit and loss statement hasn't looked nearly as good as the balance sheet values. MGM/UA

Financier Kirk Kerkorian
Returning to hotels and airlines.

lost $41.9 million for the nine months ended May 31 and is expected to show a $45 million loss for the year. The company has $400 million in debt, high for the industry.

To realize the potential, will Kerkorian put the movie assets on the block and reinvest the proceeds elsewhere? It could happen. Selling out entirely, of course, is not his only option. Kerkorian could split up the companies and sell or spin off parts. Or, if he really believes the stock is undervalued, he could buy the remaining 20% himself and take the company private. Bautzer is noncommittal: "I wouldn't second-guess a man with his record."

Kerkorian likes to shuffle assets and deal. Watch those cards. ■

Why did Salomon pay an above-market price for its own stock and then sell preferred at below market?

What color is your mail?

By Allan Sloan

SALOMON INC., Ronald Perelman, Warren Buffett and Harry Oppenheimer's Minerals & Resources Corp. (Minorco). They're all players in Wall Street's latest soap opera. But you haven't read what the wheeling and dealing over Salomon Inc. is really all about.

Analyze the numbers and there is only one conclusion: Salomon, one of the top securities trading firms in the world, has paid more than $100 million in greenmail to Minorco.

Look. Minorco owned 14% of Salomon and wanted to sell. Revlon's Ronald Perelman, one of America's most aggressive corporate raiders, was offered the holding at $38 a share when Salomon was trading for only $32.

Minorco could understand why Salomon didn't want Perelman to become its biggest stockholder, but Minorco still wanted $38. Solution: Salomon itself paid Minorco $38—19% over the market price—without offering the same deal to any other Salomon shareholder. Paying Minorco a premium price not available to anyone else wasn't greenmail, Salomon Managing Director Robert Salomon insists, because "Minorco is a longtime holder, not a raider." A new definition. A fine distinction.

Salomon's John Gutfreund
Buying high, selling low.

At any rate, the stock purchase cost Salomon $809 million, and the investment firm had to restock its capital larder. So Salomon Chairman John Gutfreund struck a deal to resell most of the block to Buffett's Berkshire Hathaway. The price is nominally $38—the price Salomon paid Minorco. Look, ma, no greenmail. Gutfreund bought Salomon shares at $38 and resold at $38, right? Not really.

Some basic analysis shows that Buffett is paying substantially less than $38 for his Salomon shares. Maybe $32, perhaps a bit less.

How so? Because Berkshire isn't buying common stock at $38. Rather, it is buying $700 million of a new 9% Salomon preferred stock convertible into common at $38. By our estimate the preferred was worth at least 15% above face value the day Buffett agreed to buy it. Had the preferred been offered on the open market, it would have commanded a higher price—maybe $800 million.

The preferred is worth more than face value because of the fat 9% dividend and relatively low conversion price. The 9% gives Buffett annual dividends of $3.42 for every Salomon share he controls (9% of $38). By contrast, Salomon common carried a 2% dividend (64 cents divided by $32).

This means Buffett gets $2.78 a year more in dividends than Salomon's common stockholders. Thus, the $6 "conversion premium" ($38 less $32)

Dario d'Spa

Minorco's Harry Oppenheimer
If not from Perelman, from Salomon.

is amortized through the higher dividends in a little over two years, an astonishingly short period.

A rule of thumb is that the convertible is as cheap as the stock if the conversion premium is amortized in 3½ years. So Buffett's preferred is cheaper than Salomon at $32.

Another way of looking at it is that Buffett is getting a decent yield on a single-A preferred and has a call on 18.42 million Salomon shares for free.

Robert Salomon says that our analysis of the convertible's value is flawed because we're not taking into account the fact that the stock doesn't have a public market, it can't be converted for three years and Buffett will join Salomon's board. Maybe. But even allowing for that, Buffett still has driven a tough bargain. If Berkshire converts after three years, it will be paying $38 a share but will have pocketed an extra $8 or so in dividends, bringing the cost down to about $30 a share.

If Salomon doesn't do well and the common goes down, Buffett doesn't convert. If the common goes up, Berkshire turns its preferred holdings into a big piece of a successful business. In all, a great deal for Berkshire. And a stiff price for Salomon. ■

Bill Millard has finally sold his shares in ComputerLand. The computer retailer's worth has sadly dwindled.

A billionaire no longer

By Kathleen K. Wiegner and Jonathan Littman

ONLY FOUR YEARS AGO William Millard's 96% ownership of ComputerLand made him one of the richest men in the country by FORBES' estimates—worth maybe $1 billion. Only a few years ago the Hayward, Calif.-based retailer of computer gear and software was riding the crest of a boom in personal computers, with 783 franchised stores worldwide and sales of $1.4 billion. Had ComputerLand gone public then, when margins were fat and its prospects seemed rosy, FORBES figured the total market value of the company would have been over $1 billion *(Dec. 5, 1983)*.

Last month scrappy, stubborn William Millard, 55, flew from the Pacific island of Saipan to Kowloon, Hong Kong to complete the sale of his remaining 52% stake in ComputerLand. The buyers were a group led by E.M. Warburg, Pincus & Co. But the price on the company was nothing like $1 billion.

New York-based Warburg, Pincus will not say how much it paid Millard for his majority interest. Some published estimates have been as high as $160 million. In fact, FORBES has learned that Millard will get not much more than $75 million.

Where did all the value disappear to? Part of the decline is rooted in the increasingly savage competition that has shaved margins for computer retailers. But another part can be found in two bitter, and still unresolved, lawsuits against Millard over the last six years. The result is that 44% of ComputerLand is still tied up in court pending various appeals.

Millard's courtroom battles did not endear him to his franchisees, who were having their own problems as the computer industry went into a slump. Nor did his authoritarian style: Franchisees were aghast when Millard pushed aside Edward Faber, a superior salesman who had overseen ComputerLand's heady growth years from 1979 to 1983, awarded himself a salary of $1 million a year and begun acquiring corporate jets, limousines and bodyguards. Astonishment turned to anger when in 1984 Millard

Ed Kashi

ComputerLand's former owner, William Millard
Scrappy and stubborn as ever, he still might get 16% of the company.

installed his daughter, Barbara, as chief operating officer. Anger turned to revolt when Millard refused to heed his financially beleaguered franchisees' pleas to cut the 8.3% royalty and advertising fees they were paying to ComputerLand.

Millard owned the company, but the franchisees owned their stores. They were not powerless. Unlike such regional chains as Computer Factory and Neeco and such national chains as Businessland, ComputerLand owns only 41 of the 800 stores that bear its name.

Finally, in the fall of 1985, the franchisees forced Millard and his daughter to give up day-to-day control of the company and reinstate Faber. Millard, in a huff, removed himself and his family to Saipan, capital of the 14-island Commonwealth of the Northern Mariana Islands, in search, he said, of new business opportunities. He immediately began bickering and battling with local officials and businessmen over what Millard alleged was the corruption and double-dealing on the island. From Saipan, in June of 1986, the owner-in-exile announced he was prepared to sell his stake in ComputerLand.

Millard is out of the picture, and Warburg, Pincus is in control. So it is up to Kenneth Waters, who became ComputerLand's chief executive last month—Faber remains on the board—to get the company in shape for a public offering that might come as early as spring of next year.

It is still a formidable company. In fiscal 1986 (ended Sept. 30) ComputerLand's stores had worldwide sales of $1.45 billion, about the same as a year earlier. But Waters says that sales will hit $1.7 billion this year, now that computer sales have begun taking off again.

Waters, 36, much less the autocrat than Millard, has sliced corporate overhead some 37%. He has no choice but to cut costs, because he had to bow to the franchisees and reduce the franchise and advertising fees by almost a third, to a little under 6%.

In spite of this reduced revenue flow, the new controlling stockholder, Warburg, Pincus, has said it will invest "tens of millions of dollars" in ComputerLand to expand national accounts programs, add an additional distribution center and provide franchisees with $2 million worth of point-of-sale systems.

If Millard's 52% of the company fetched $75 million, simple arithmetic would put the whole company at a bit under $150 million. But clearly Warburg, Pincus hopes to fatten up the company and bring it public for a lot more than $150 million. The remaining 44% of the stock stays tied up in litigation. Some 28% of that stock is tied to a disagreement between Millard and some people who lent him money years ago. They claim in return the right to convert their loan into ComputerLand stock. The courts have upheld the claimants, but Millard is still fighting.

Once settlement comes and if the new management does its job well ComputerLand could be worth $300 million as a public company, based on what smaller chains have gone public for. Warburg, Pincus could easily double its money.

Nor weep for Bill Millard. His willful refusal to give up absolute control of his company resulted in loss of all control. But he may not be out of the picture. While the Warburg, Pincus deal prohibits him from buying any more ComputerLand stock, sitting on ComputerLand's board or ever holding a management position, there's still that 44% of the stock whose fate is yet to be decided. Millard could well emerge victorious from one suit that would give him back 16% of the company. ■

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What we can learn from Phil Fisher

Investment counselor Philip Fisher

On turning 80 last month the eminent San Francisco investment counselor Philip Fisher was in a valedictory mood. Rarely interviewed, he sat for a long chat with FORBES. He is one of the seminal figures of modern investment thinking—one of the first, if not the first, to develop the thesis that growth stocks have identifiable characteristics that make them different from ordinary stocks.

Warren Buffett, perhaps the most successful investor of the present era, calls Fisher a "giant."

By Warren Buffett

HORSE HANDICAPPERS fall into two major categories: speed and class. The speed dopester wants lots of figures: He pores over the form sheet to determine which horse posted the fastest time in recent races, adjusted for track conditions, weight carried, etc. The class handicapper scorns numbers. "Tell me about bloodlines and the quality of past opposition," he says.

These differing doctrines have their parallel in the investment world—between analysts emphasizing quantitative factors and those who favor a qualitative approach.

The quantitative analyst says, "Let's buy the cheapest stock as measured by some combination of price/earnings ratio, book value, yield, etc."

The qualitative analyst says, "Buy the best company, the best management and don't worry too much about the numbers."

Happily, there's more than one way to get to financial heaven. Skilled and insightful practitioners of either persuasion will be rewarded. I was lucky to find good men of both persuasions early in my life, and the resulting synthesis of their ideas has been of enormous benefit to me.

I sought out Phil Fisher after reading his *Common Stocks and Uncommon Profits* and *Paths to Wealth Through Common Stocks* in the early 1960s.

When I met him, I was as impressed by the man as by his ideas. Much like Ben Graham, Fisher was unassuming, generous in spirit and an extraordinary teacher. From him I learned the value of the "scuttlebutt" approach: Go out and talk to competitors, suppliers, customers to find out how an industry or a company really operates.

A thorough understanding of the business, obtained by using Phil's techniques, combined with the quantitative discipline taught by Ben, will enable one to make intelligent investment commitments. I am an eager reader of whatever Phil has to say, and I recommend him to you.

On his 80th birthday, a renowned investment philosopher looks ahead and back. If what he sees ahead frightens you, his investment techniques offer a possible haven.

A talk with Philip Fisher

By Thomas Jaffe

Philip Fisher doesn't try to impress you with lavish offices. He works out of a nondescript nine-story office building in San Mateo, Calif., a 30-minute drive—when the traffic's light—south of San Francisco. There's a small outer office with a desk where his secretary sits, a couple of filing cabinets, a phone, an answering machine and not much else. No computers, no Quotron machines, no elaborate library; just a refined and practiced mind. Fisher apologizes for the messy state his desk is in; he's been away paying calls on companies in New England for the previous week and has just gotten home. Having just turned 80 this September, Fisher is as vibrant as they come, his intellect keen and his wit as sharp as a tack. He's still managing money, still learning how to do it better with every new day. If it is possible for Wall Street, even out here in California, to have produced the equivalent of what the Japanese call a national treasure, then Phil Fisher fits the bill admirably.

FORBES: What signals are your antennas receiving these days?

Fisher: I see new issues of companies that don't look all that outstanding coming at maybe five and six times sales, and things that look totally prosaic coming at three and four times sales. I think this is always the sign of potential danger. I am not calling doom within the next month. I just don't know. But it's a time to be cautious.

I see a huge overextension of credit in all directions. If the banks of the country were held to the same accounting principles that other companies are held to, and had to write down their inventory, their bank loans, to market, they would be in a simply incredible position.

The consumer has a degree of loans outstanding that to me looks abnormally high in relation to his income. People are saying it isn't high in relation to his assets. What are these? Residential real estate is fundamentally higher than the stock market is.

You have an impasse in the government where nothing is being done. You have this trade-deficit situation, which I think is rampant with potential trouble.

The policy of the Federal Reserve and of our government is to encourage foreign lending to support the government bond market. I mean, to encourage foreigners to buy into our ownership of American assets is damnable, to put it mildly. It is so shortsighted. Sooner or later a situation is going to come when these foreigners will want their money back. When they do, what can happen to the dollar, to our markets, is frightening.

And yet you hear these monkeys in Washington saying we've got to make government bonds attractive so that foreigners will buy more of them.

Put all this together with the desperate financial condition of much of the Third World, and currently you have a situation that is not too different from what happened in the late 1920s.

In 1929-33 we went through four years of such economic hell that people who went through it have been psychologically scarred ever since. You saw people who were well-fixed lose jobs, people who had been wealthy going through their homes taking out every light bulb except one in each room. I knew a manufacturing executive who went to work as a watchman, and his wife took a job cleaning and cooking.

When will the crash come?

I haven't the faintest idea whether we are in 1927 or 1929. Some awfully bright, able, sound people were scared as hell in 1927. But the thing rolled on for two more years, and that may happen here. I don't know.

We have learned how to take dope and stop the pain. That dope is very simple. You run the printing presses or run the credit machine, to have huge, huge expenditures of government money and expansion of credit.

Instead of a crash, what will happen is exactly the kind of hyperinflation that you have seen in Argentina and Brazil. I think in two years, one or two years, it will start and then run on for maybe four or five years.

If that's what's coming, how does one protect oneself against this hyperinflation?

I made as deep a study as I could of what happened after World War I in France, where there was lots of inflation, and in Germany, where there was inflation into infinity. And in both countries the same thing happened. If you bought the very best stocks, according to my definition—not just any stocks—you were still darned uncomfortable during that period of the spiraling inflation. But when the inflation was over, you came out of it with about 80% of the real purchasing power intact.

If I can come out of it with 80% of my present assets in real money, and my people can do that, that is fine. Until then I'm keeping a fair amount in Treasury bills.

Timing these things is so damnably difficult. I don't want to be the smart guy with too much cash because I think a big break is coming. Nor do I want, once it comes, to spend too long getting myself ready. When you're not sure, you hedge. Very roughly, I have between 65% and 68% in the four stocks I really like, between 20% and 25% in cash and equivalents, and the balance in the five stocks that are in the grooming stage.

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You don't own or buy a large number of issues.
I have four core stocks that are exactly the thing I want. They represent the bulk of my holdings. I have five others in much smaller dollar amounts that are potential candidates to enter this group. But I'm not sure yet. If I were betting today, I'd bet on two and not on the other three.

Each decade up to this one—there hasn't been time to work it out for the Eighties—I have found a very small number of stocks, 14 in all, starting with 2 in the Thirties, that over a period of years made a profit for me of a minimum seven times the funds I put in and a maximum of many thousands of times my investment.

Now I have gone into about three to four times as many additional securities in which I've made more money than I've lost. I've had losses, in two cases as high as 50%. There also have been a number where I have made or lost 10%. That's almost the cost of being in business. But there are lots of cases where a stock has gone down moderately, and I've bought more, and it's paid off for me enormously.

These efforts were necessary to weed out the 14 where I have made the real gains. I've held those 14 from a minimum of 8 or 9 years to a maximum of 30 years. I don't want to spend my time trying to earn a lot of little profits. I want very, very big profits that I'm ready to wait for.

I have found a very small number of stocks, 14 in all, that over a period of years made a profit for me of a minimum seven times the funds I put in, and a maximum of many thousands of times my investment.

What do you look for in a core stock?
They are all low-cost producers; they are all either world leaders in their fields or can fully measure up to another of my yardsticks, the Japanese competition. They all now have promising new products, and they all have managements of above-average capabilities by a wide margin.

You place a lot of emphasis on management, don't you?
Getting to know the management of a company is like getting married. You never really know the girl until you live with her. Until you've lived with a management, you don't really know them to that same degree.

Getting back to the kinds of companies you like, the ones that will help get you and your clients through the bustup. . . .
My own interests essentially are in manufacturing companies that in one way or another—I hate the buzzword "technology"—can expand their markets by taking advantage of the discoveries of natural science.

In other fields, such as retailing and finance, there are excellent opportunities, but I feel this is one where I am more qualified. I think a weakness of many people's approach to investment is that they try to be jacks of all trades and masters of none.

Are you looking at other stocks?
I am spending time looking at situations that I'm not eager to buy today. But under the strain of a rapidly falling market, I don't want to have to act with too much speed on stocks that I'm not more familiar with.

Can I get you to name your nine stocks?
In the case of the five smaller ones, I don't want to. I will identify two of my four core stocks—Motorola and Raychem. The third is a small-cap where there's been steady accumulation of shares by other long-range investors besides myself, so the floating supply of shares is abnormally small. A mention in FORBES would make the thing whoosh up. But until the earnings have started to materialize, it would whoosh down again. I don't want to cause that.

Number four has an excellent record of making products allied to what it already has, but it's now doing one so big in relation to the present company that, if this shouldn't work as well, there could be risk in the shares. And the stock is already up. So again I'll pass.

As for Motorola, Wall Street is just beginning to see how good management really is. In the recent semiconductor depression, it was the only major company to earn subnormal but not insignificant profits. Of the others, one just about broke even and three went heavily into the red. That kind of stuff attracts Wall Street, but not the reasons behind it. Wall Street should pay greater attention, for instance, to whether a company has its production under statistical quality control—shortening the production cycle, thereby reducing inventories and cutting costs.

Motorola is also way above the average company in planning. One reason its semiconductor business has done so well in time of stress is that it picked the right areas to be in and didn't have the bulk of its effort in areas that ran into more trouble. Another reason it's so outstanding is due to the farsightedness and high moral standards of Bob Galvin, its chairman.

Now Motorola is not on the bargain counter today, but it will have very pleasing growth.

With Raychem you've got another situation. [With annual sales of $944 million, Raychem manufactures high-performance plastic products.] Several years back management recognized that its older product lines wouldn't keep growing the 20% to 25% a year that they had since the company was started. Raychem developed a whole series of new technologies. But it underestimated how long it would take to get prosperity out of them.

The last couple of years it's been bringing these into the market. Now people who are interested in growth but who aren't very sophisticated tend to measure it by how much you spend on R&D. Actually, when bringing on new products, R&D, while important, is less costly than the combination of marketing money, when you're first introducing those new products, and the high-cost production when you first start to get those new products out but where you haven't yet come down the learning curve.

The fact these new products have been bunched together has resulted in several years of flat earnings. For a company that had steadily growing earnings before that, this threw Wall Street, with its short-term outlook, for a loop. Now there is great suspicion. Is it really a growth company? To me, it epitomizes a growth company but sells at a price/earnings ratio that doesn't fully reflect this.

What else do you look at besides good management?
When I have to argue strongly with [clients] to like something, and they say, "Well, all right, if you say so, we'll do it." I'm much more apt to be right than when, as sometimes happens, I say, "Let's buy 10,000 shares," and they say, "Why don't we buy 50,000?" That's usually a warning signal that it's too late to buy.

Nor will I buy market-favored stocks. I particularly notice it when I attend meetings for technology stocks and see all the people crowding into the room and so on. If there's standing room only, that's usually a pretty fair sign it's not a good time to buy the stock.

You sound like a contrarian
Part of real success is not being a 100% contrarian. When people saw that the automobile was going to obsolete the

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SCHEDULE F

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old streetcar system in the cities, some decided that since nobody would want streetcar stocks, they'd buy them. That is ridiculous. But being able to tell the fallacy in an accepted way of doing things, that's one of the elements in the investment business of big success.

What's the single most important lesson to be learned from your career as an investor?

It is just appalling the nerve strain people put themselves under trying to buy something today and sell it tomorrow. It's a small-win proposition. If you are a truly long-range investor, of which I am practically a vanishing breed, the profits are so tremendously greater. One of my early clients made a remark that, while it is factually correct, is completely unrealistic when he said, "Nobody ever went broke taking a profit."

Well, it is true that you don't go broke taking a profit, but that assumes you will make a profit on everything you do. It doesn't allow for the mistakes you're bound to make in the investment business.

Funny thing is, I know plenty of guys who consider themselves to be long-term investors but who are still perfectly happy to trade in and out and back into their favorite stocks.

Some years ago I was the adviser to a profit-sharing trust for a large commodities dealer. I bought for them—I think the stock has been split 15 times since then—a block of Texas Instruments at $14 a share. When the stock got up to $28, the pressure got so strong ("Well, why don't we sell half of it, so as to get our bait back?") I had all I could do to hold them until it got to $35. Then the same argument: "Phil, sell some of it; we can buy it back when it gets down again."

That is a totally ridiculous argument. Either this is a better investment than another one or a worse one. Getting your bait back is just a question of psychological comfort. It doesn't have anything to do with whether it is the right move or not.

But, at any rate, we did that. The stock subsequently went above $250 within two or three years. Then it had a wide open break and fell to the mid-50s. But it didn't go down to $35.

What turned you off the short term?

Let me go back to the 1930s. The company I really started my business on was FMC Corp., then called Food Machinery. Two-thirds of its business was in selling to fruit and vegetable canners. So I started learning a fair amount about the canning business. Three different times in the Thirties I bought California Packing—that's the Del Monte line—at a low price, when the outlook for canning looked poor, and sold it at a high price. I also bought, for any client who I could get to buy it, as much Food Machinery stock as they would let me.

Then in 1940 or 1941 I reviewed the bidding and found that the effort I had put into the timing of buying and selling California Packing shares considerably exceeded the time I had spent learning about and watching Food Machinery stock. Yet already by 1940 my profits in Food Machinery dwarfed the ins and outs of California Packing.

That episode finally made me decide not to follow the almost accepted policy at the time that you should buy low and sell high and make a profit and bring it in. This just isn't valid.

It is appalling the strain people put themselves under trying to buy today and sell tomorrow. If you are a truly long-range investor, the profits are so tremendously greater.

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Warren Buffett once said his investment philosophy was 85% Ben Graham, 15% Phil Fisher. What's the difference between Grahamism and Fisherism?

There are two fundamental approaches to investment. There's the approach Ben Graham pioneered, which is to find something intrinsically so cheap that there is little chance of it having a big decline. He's got financial safeguards to that. It isn't going to go down much, and sooner or later value will come into it.

Then there is my approach, which is to find something so good—if you don't pay too much for it—that it will have very, very large growth. The advantage is that a bigger percentage of my stocks is apt to perform in a smaller period of time—although it has taken several years for some of these to even start, and you're bound to make some mistakes at it. [But] when a stock is really unusual, it makes the bulk of its moves in a relatively short period of time.

The disadvantage of Ben Graham's approach, as he preached it, is it is such a good method that practically everybody knows it and has picked up the things that meet his formula.

I don't want to say that mine is the only formula for success. But I think, and I may be conceited about this, that I started my business before the term growth stock was thought of.

How many clients do you have?

The Grim Reaper has cut into my client list. I've actually got only nine at the present time.

I wondered as I turned 80 if some of my clients would begin to worry, well, should we leave our investments with a man whose life expectancy is obviously shorter than it was some years back? I was amazed to find the majority are not at all concerned. The reason is rather basic. The stocks I have put their funds in have certain common characteristics that I referred to earlier. If they're going to start going downhill, which many companies do sooner or later, that might be a minimum five years off.

I wondered if my clients would begin to worry, should we leave our investments with a man whose life expectancy is obviously shorter than it was some years back?

If I were to pass out of this world tomorrow, my people would have plenty of time before they'd have to worry about these stocks and would still benefit from them as the present momentum carries on.

Doesn't sound like you're about to retire.

I could wax for a half-hour on the utter folly of people being forced to retire at the age of 65. I think I have produced better results in the last five years than in any other five-year period. The refinement that comes from contemplating your own mistakes and improving yourself has continued.

I have seen enough people start to go senile as they get older that if it should happen to me, with my responsibilities, I would cut myself off. But unless that happens, I think it's ridiculous to stop the work I enjoy.

For our readers who won't have the benefit of having you run their money, how about some advice on choosing a portfolio manager?

The only way that I've suggested is get them to give you a transcript of what they actually have done. And if they take losses, and small losses, quickly and let their profits run, give them a gold star. If they take their profits quickly and let their losses run, don't go near them. ■

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American General's Michael J. Poulos (left), *president, and Harold S. Hook, chairman and CEO*
Bland name but boffo performance: 8,000 agents peddle more than 15,000 insurance policies a week.

American General of Houston makes big profits from a simple, old-fashioned line of business, thanks to . . .

Harold Hook's magnificent machine

By William P. Barrett

About 20 people are sitting in a low-ceilinged, windowless room a mile from downtown Houston. Their leader, well into his slide show, displays an image: three interlocking circles. Then another: something that looks like a railroad track with only one rail. And a third: a wheel with a fat tire. The group pays rapt attention.

These weird proceedings are part of the training program for new employees at American General Corp., the nation's fourth-largest (assets $24.5 billion) publicly owned insurer. And, boy, does this training produce. Called Model-Netics, the system was developed by Harold S. Hook, American General's chief executive

Since 1977 American General's stock price, adjusted for splits, has increased steadily from 6 to a recent 38, which represents a $6 billion market capitalization.

Oops. Second-quarter earnings this year were flat—a rarity at American General—largely because of a decline in investment income caused by premature refunding of Ginnie Maes in its $19 billion investment portfolio. Yet Gloria Vogel of Bear, Stearns & Co. sees 1987 earnings per share of $4, up from 1986's $3.60, and 1988 earnings of $5.

The man behind these numbers, Hook, presides over a highly regarded management team that, unusual among insurers, allows subsidiaries to operate much like autonomous businesses. The bulk of the business is so-called home-service or "debit" insurance. That's the selling of relatively small face-value life insurance door-to-door, generally in rural areas. The agent usually comes around to collect the monthly premium.

At first blush this might seem a tough, antiquated, high-overhead way to make money. A number of insurers have pulled out of this unglamorous, low-end field. But American General under Hook decided several years ago to expand in this niche, and now, with $44 billion in policies, it is top gorilla

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The sayings of Chairman Hook

They may be simple, even patently obvious, but every American General employee is indoctrinated with them. Here are a few more of the terms, slogans and principles culled from Harold S. Hook's 151-point "Model-Netics" management system:

Action TNT: Means "action today, not tomorrow," the key to high accomplishment (when not performed by an Aspirin doctor, which see).

Aspirin doctor: A manager who tries to solve every problem the same way, like a doctor who prescribes aspirin for every unknown illness.

The indispensable man: A company with an indispensable man is guilty of management failure (see Mack truck theory).

Mack truck theory: A key employee can be lost at any time (killed by a Mack truck, or through resignation), so managers should always be prepared for sudden and permanent personnel changes.

PESOS formula: The five steps in teaching an employee a new skill are preparation, explanation, showing, observation and supervision (but beware the Tomato plant problem).

Tomato plant problem: Don't overload an individual with duties. Based on the maxim "Don't plant more tomato plants than you can carry water to."

Confidence circle: Accomplishment influences confidence, and confidence influences accomplishment (which can lead to the Mobility circle).

Mobility circle: Job mobility is connected to job competence, and vice versa.

Yes-man concept: The organization works better when its employees agree generally with the overall strategy and tactics (so long as they don't play the Army game).

Army game: When a subordinate does only what he is told to do, that employee's effectiveness is likely to be low, because the boss can't possibly tell him everything.—**W.P.B.**

in the business. A cash machine, home service now accounts for 57% of the company's profits.

Why? The 8,000 agents collecting premiums get an automatic foot-in-the-door to sell additional policies. The first sale is usually small, maybe a $16 monthly payment on a bit over $13,000 in coverage, but it is the add-ons that make money for American General. Bad debts are few since coverage can be stopped quickly. Big claims from Acquired Immune Deficiency Syndrome—a fear rattling some big insurers and their stock prices—do not worry American General, heavy with rural and small-town customers, because of the low policy values and the concentration of AIDS cases in big cities. Gripes by some consumer groups that such policies aren't a good buy have not had much impact.

A relative newcomer to the insurance big leagues, American General, founded in 1926 with just three employees, has grown primarily through acquisitions—26 at last count. The biggest three—accounting for two-thirds of the expansion—were $1.5 billion for NLT Corp. of Nashville and $150 million for Credithrift Financial Inc. of Indiana, both in 1982, and $1.2 billion in 1984 for Gulf United's insurance operations.

Anyone with cash or borrowing power can acquire, but American General has a record of knowing how to assimilate acquisitions and make them work. For this the chairman and his Model-Netics take the bow.

Hook, 56 years old, started right out of the University of Missouri at 25, as assistant to the president of National Fidelity of Kansas City, Mo. Five years later he became its president, the youngest insurance company head in the country.

A student of management theory, he thought its finer points could be taught in a classroom setting. Seeking to carry out his ideas at National Fidelity, Hook was jolted in 1959 when he taught a management course to employees from prepared notes. "I thought I did pretty well," he recalls, "but they said they hadn't understood anything I had said for a year. It was a major valley of despair."

But it got him thinking. "It's not what I'm sending that's important, it's what they're receiving," Hook recalls concluding. "I was giving them too much to store. The trick was to do away with the notes."

What emerged was Model-Netics, a management system he implemented at American General after the firm in 1973 bought another insurance company he was heading in Sacramento, Calif. and made him the overall president two years later.

He boiled down the principles of management to 151 concepts or models ("I could have done 150, but it seems more mysterious this way," he laughs) to provide a sort of common corporate language instantly retrievable by its users *(see box)*.

The models are printed in a pocket-size book for easy reference and are taught to almost all of American General's 17,000 employees in 20 hour-long lessons. Many of the classes are taught by senior management, who are trained at a Sacramento school, Main Event Management Corp., that Hook himself owns.

On a recent day at American General's 39-acre campus in Houston, John M. Wesson, senior vice president for systems control, is teaching lesson Number 11 to a group of 20 low-level employees, principally secretaries and clerks.

The interlocking circles that Wesson flashes on an overhead projector represent Hook's version of the Job Organization Chain. It is the simple notion that no one holds a given job forever and the link between successor and predecessor should be a written job description and history. The railroad track symbolizes what Hook calls the Management Process Cyber-Chart, his six elements of the management process. Element one, information received, through element six—which incorporates four objectives: profitability, effectiveness, growth and survival. The wheel is called the Synergism Diagram; the outer circumference of the fat tire stands for maximum productivity, the inner circumference is normal productivity and the wide distance between the two is the product of management skill.

"Can anybody tell me what management is?" Wesson asks. Several hands go up. "Accomplishment of goals by others," one woman responds. Wesson nods. "Now why would a company like American General put you through this?" he asks. "So we can better understand what management is trying to do," a student answers, smiling.

Pretty basic stuff, and Hook, who was paid $1.25 million last year, is the first to say it. "Organized common sense," he declares. "Of course, common sense is not very common." Nor are companies with records like American General's. ■

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In an ever more competitive, crowded auto business, where most players are worried about excess capacity, Honda is expanding boldly. What's Honda's game?

"Nobody likes us except the consumer"

By Jerry Flint

OVERCAPACITY. That's the scare word in the auto industry these days. GM has the plant to produce far more cars than it can sell, while foreigners are putting on plants capable of assembling another 1.5 million cars here. Third World countries like Korea are bringing on additional capacity.

At home, caution. Ford, the hottest domestic company, pays overtime and brings in cars from Mexico, Korea and Taiwan, anything to keep from building a new plant in the U.S. It even ships out the design work. Remember 1980. Don't take risks. Chrysler gets engines from Mitsubishi and acquires American Motors for its plants and product line instead of expanding internally.

So why is Honda Motor expanding aggressively in the U.S.?

"We create our own path by ourselves. We don't follow anybody else. We don't imitate anybody else." That's Tetsuo Chino speaking, senior managing director of the parent company in Japan and overlord—from Tokyo—of the key North American operation.

Last month Honda announced a second assembly plant in Ohio (150,000 initial capacity) to boost production to 500,000 cars a year by 1990, with room for another 150,000 if needed. Even without that second plant, Honda will build 320,000 cars in the U.S. this year and will import another 420,000.

It also plans to build more engines and components here and buy more here to raise the U.S. content in its locally made cars to 75%. With the overall market flat, Honda is clearly assuming it can take volume out of other people's hides.

To the outside observer this seems brash. But it doesn't look that way to Honda. "We are a cautious company," says Tetsuo Chino. His point is that Honda is expanding only because it is convinced that the market for the kinds of cars it produces is bigger than its current capacity. Its confidence has been bolstered by the fact that Honda's unit sales in the U.S. will be up almost 10% in a year when the overall car market is running 10% behind last year. "Nobody likes us except the consumer," says Chino with a smile.

Not counting trucks, Honda is gaining on Chrysler, which will sell 1.1 million cars this year in the U.S.

Charts by Philip Scheuer

Momentum

Honda's ever-growing sales are spurred by its foreign success: two cars sold abroad for each Honda sold in Japan. Most of the foreign sales are in the U.S.

*Estimates.

What makes Honda so bold and so successful at a time when others are moving cautiously, almost timidly? Self-confidence. Honda is a company that believes in itself. It seems convinced that its ways of doing things are simply better than those of its competitors. No question: Honda is superbly well managed, almost a model company. Describing Honda, one falls back on clichés. Good management is not easy to describe, but the results are.

Honda people continually boast that they listen to consumers and to their dealers, that they emphasize quality and treat their employees with respect.

Everybody says that, FORBES replies. Chino repeats:

"They don't listen to consumers, they don't listen to their dealers' opinions. Even the big Japanese auto companies say, 'This is the way.'

"When we [Honda] introduced the second-generation Prelude, we didn't put power steering in it. Women drivers complained the steering is too heavy, and within six months' time we put in power steering. We react fast that way."

Fast reaction. That's part of the Honda legend. Contrast that with the story a GM executive told FORBES a while back. When he wanted a pinstripe put on his California-bound cars, production said it would take a year to get it. A pinstripe.

Are Honda cars perfect? No. A Texan, for instance, was having trouble with his 1986 Accord, and the dealer service didn't help.

Did Honda stonewall the Texan—as GM has been known to do under similar circumstances?

The Texan tells FORBES that he called Honda in California and offered a deal: Take back the lemon for a trade up to a Prelude. He offered to pay the wholesale difference in the price of the cars. American Honda agreed to this on condition the aggrieved customer pay 10 cents per mile for the 6,000 miles he had put on his Accord.

"Extremely fair," said Jim Taylor of Katy, Tex. "We now have a Honda Acura to go with the Prelude, and Honda has a customer for life."

Back in the June 16, 1986 issue, FORBES contrasted employee morale at Honda's Marysville, Ohio plant with morale in a U.S. auto plant 100

miles away in Toledo. We concluded that a major reason for Honda's quality record was the relatively happy workers in its plant. Chino says:

"People are the biggest asset in our company." He talks about "associates" instead of workers, the same white coveralls for the guys on the assembly line and the plant manager, the common lunchrooms. Classless. The UAW hasn't dared hold an organizing vote at Honda's growing Ohio plants.

Yet what makes the expansion strategy look especially risky is that Honda is not making huge profits these days. It is hurt by the strong yen. Demand for Honda cars is so strong in the U.S. that it has been able to raise prices 25% since September 1985 and its inventories, less than a month's supply, are the lowest in the industry. But the strong yen makes it much more expensive for Honda to bring parts and completed cars from Japan, with the result that profits have been whittled down.

In the last fiscal year (ended Feb. 28) consolidated worldwide revenues held fairly steady at a bit under $19 billion. But net profits dropped 43%, to about $547 million. In the four months ended June 30 (Honda is changing to a Mar. 31 fiscal year, conventional for Japan), revenues were up 9% on higher unit sales. But net income was down another 25.5%. The ADRs were recently around 110, about 20 times earnings. Return on equity is about 10%.

Confidence again. "We will bottom out this year," says Chino about the profit drop. How? Cutting costs, increasing productivity and more sales of higher-priced cars, he says.

And if the yen climbs to 120, or even to 100?

"If we make cars in this country [the U.S], it is exchange-free." Chino points out that Honda is counting on expanding entirely with internally generated funds: "The $1 billion in projects [for the new assembly and engine works announced this year] will be financed by internally [U.S.] generated money within four or five years."

Behind the expansion program stands a well-thought-out strategy. Honda is moving determinedly up the price and size scales with its cars. Chino admits that the Accord part of the market is probably saturated. "There isn't much more growth there," he says. The new U.S. capacity will be devoted to the larger and more expensive Acura line.

Honda is out of the cheap car market in the U.S. The Civic line was once its

Number six in the big six

Honda is a niche producer, not a full-line manufacturer. It sells no trucks in the U.S., not even light jobs. And it makes no sporty utility vehicle—yet. Thus, Honda ranks only sixth in total units sold in this market. And note that more of the Honda cars sold here are now made in the U.S.

Or number four in the big four

Honda ranks fourth in U.S. passenger car sales. It tops Toyota and Nissan and is closing on Chrysler. By the early 1990s it plans to be assembling 500,000 cars here and 80,000 in Canada—including more expensive and profitable Acuras—to support sales expected to reach 1 million.

* Excluding AMC.

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conditioning and a good sound system will cost $11,000, some $3,000 more than a similarly equipped Korean Hyundai.

"But we are not following the Hyundais," says Chino. Could Honda build at the Hyundai price? "If we produced a seven-year-old car, yes."

Honda figures the way to recapture some of that market is to create a new niche, as Chrysler did with its minivan, Chino says. Honda also is after better-margin business. It wants to create a multipurpose vehicle to tap the Jeep market. It plans to create a U.S.-type big car. These items are four to five years away. Right now Honda is busy with the Acura. This is where its marketing muscle and its money are going.

Honda's Tetsuo Chino and a Prelude
The profit drop will bottom out this year, he says.

For 1988 the $20,000, technologically advanced Prelude with four-wheel steering may be the hot car, sharing the spotlight with new multi-valve-engine (for hot performance) Honda Civics. All upmarket stuff.

A fully equipped top-line Honda Accord sells for around $17,000 here. The larger and higher-performance Acura Legend coupe sells for $30,000 and up. Coming soon is an addition to the Acura line, probably a fast and expensive sports car.

Worldwide, Honda is selling about 1.7 million cars. That's behind the likes of Nissan, VW, Renault and Peugeot, as well as GM, Ford and Toyota. Honda says it will be moving 2 million a year by 1990, but volume isn't all. Based on the price of its ADRs, Honda has a market capitalization of about $10 billion. That's almost the same as Chrysler's market capitalization and about one-third that of Ford's. But Ford is more than three times bigger in revenues. In short, in an industry generally paralyzed with worry and playing a cautious game, Honda expands boldly. "If we reach 1 million cars in this country, then we go up again," says Chino. "Step by step, that is our motto."

So far, a pretty successful motto. ■

Hyundai showed there's still a big U.S. market for inexpensive, durable cars. But now, everybody wants a piece of that action.

The road most traveled

By Steve Weiner

THE U.S. AUTO INDUSTRY has rarely seen a car as hot as the Excel, Hyundai Motor Co.'s inexpensive "entry-level" subcompact from Korea.

In less than two years, the Excel, sporting a refreshingly lean, barebones $5,295 base sticker price, has become the number two subcompact, after Ford's long-running Escort. Consequently, Hyundai, part of the industrial conglomerate Hyundai Corp., has become the number four car importer (after Toyota, Nissan and Honda). Hyundai's 200 dealers are selling on average twice as many cars as the typical Toyota dealer and nearly three times as many as the average Chevrolet dealer.

No question, there's cause for celebration around Hyundai (rhymes with Sunday) Motor America headquarters in Garden Grove, Calif. But there's also cause for caution. Hyundai—like the Volkswagen Beetle of the 1950s and 1960s and the Japanese small car of the 1970s—is drawing a parking lot of low-cost, good-quality competitors. And it is now entering the punishing midwestern market during a period of slowly rising consumer interest rates. With 1988 U.S. sales forecast to rise 20%, to 300,000 cars, Hyundai is approaching its maximum production capacity. The inevitable result will be slower growth and tougher times for this overnight automotive star.

"They made a franchise and built awareness of the entry-level car," says David Alden, marketing plans coordinator for Ford Motor Co.'s Korean import, the Festiva. "But once a market opens, the competition flows in."

Hyundai built its base with the kind of cars abandoned by most automakers—low-cost, low-profit vehicles of respectable quality. The basic Excel, a two-door hatchback, priced at $5,295, is $500 to $1,000 less than most competitors. Most Hyundais sell for about $8,000. But even at that price, they come with far more amenities and features than competing cars.

"I looked at an Escort, but to get the features I want, it would cost $9,000 or $10,000," says Serge Nalwa, a 52-year-old computer store owner, who recently examined Hyundais at the first Chicago-area dealership in Lisle, Ill., about 25 miles from the Loop. "Here prices begin at $5,300."

Young people of modest means, especially people who would otherwise buy a used car, are the Hyundai customers. An unusually high 25% of Excel buyers are younger than 24. At full sticker prices, dealer gross profit per car is about $1,200, which is low for an import but excellent given Hyundai's sales target per dealer of

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Dealers fight hard for a chance to stock the car. About 7,000 of them have applied, some with videotaped institutional ads, and Hyundai expects to have 225 operational by the end of the year. Every aspect of the dealers' facilities is controlled by Hyundai, down to the color of the concrete floor in the repair shop. Most figure the $2.9 million investment in a dealership is worth it. "We look at this as the car to get us through tough times ahead," says Horst Korralus, the Lisle dealer, who also sells Volvos and Hondas.

Still, the coming sales climate may be cloudier than anyone expects. A phalanx of subcompacts and minicars has rolled over the entry-level market, estimated at about 2 million cars a year, or nearly 20% of all cars sold in the U.S. With overall auto sales down about 6% this year, to an estimated 10.5 million cars, the still-growing entry-level market looks attractive, if only to snare buyers who might move to more expensive cars later.

Take Toyota. In the 1987 model year, its low-cost Tercel represented just 13% of unit sales. About half of those Tercels were the cut-rate ($5,948) EZ style. But for 1988, Toyota plans to double the available EZs to 40,000 cars, or about 77% of all Tercels, says Robert McCurry, senior vice president of Toyota Motor Sales U.S.A. And the nearly 100,000 Tercels Toyota expects to sell will climb to about 16% of the company's 1988 fleet. Says McCurry: "We go with the market, and the entry level is back."

Ford expects to sell up to 75,000 Festivas a year, starting at $5,995, following full national introduction of the model this month. Nissan expects to sell 240,000 Sentras (price, $6,499) this year, up from 216,000 in the 1987 model year. Subaru figures sales of its $5,495, three-cylinder Justy will quadruple this year. Chevrolet is pushing its three-cylinder Sprint, which costs around $5,995, made by Suzuki, and Volkswagen has a sell-out with its Brazilian-made $5,990 Fox. Says Jim Fuller, a Volkswagen U.S. Inc. vice president: "It's a big shootout."

One potentially ominous sign for Hyundai has been the 32% decline in sales in Canada, where the Koreans began selling cars in 1984. Hyundai blames poor inventory planning and an inadequate dealership base for the decline. Competitors say their surveys show that after the first blush of excitement over the low price, customers recognize that the Hyundai is little more than basic transportation.

Another worry is the Midwest's traditional resistance to small and imported cars. Small cars represent 32% of sales in southern California; imports hold a 57% share. But in northern Ohio, small cars win only 19% of sales; imports just 21%. Some automakers say that's because importers don't have many dealerships in the Midwest. A more likely explanation is loyalty to the automotive manufacturing and supply base that supports the regional economy, plus a traditional conservatism.

Even so, Hyundai executives claim to be unconcerned. For one thing, the Japanese are bound by their agreement to limit imports to 2.3 million cars a year, creating artificial shortages, and they must cope with the strong yen, causing higher prices. But Korea's automakers face no such restrictions, and their currency, the won, is tied to the dollar.

Further, they expect the midwestern market to be every bit as fertile, at least initially, as the rest of the country. A new, slightly more expensive, compact car model is planned for introduction late next year, broadening their customer base. Advertising, pushing cars that "make sense," is light and clever. The real upward limit on growth, Hyundai executives say, may be Korean production capacity. "When you're dealing with a price niche like the one we're in, the possibilities are unlimited," says Max Jamiesson, Hyundai's executive vice president and chief U.S. operating officer.

Maybe, but watch out for the crush at rush hour. Hyundai's road, after all, has become the one most traveled. ■

You've certainly heard a lot about fundamental stock analysis, but you probably never saw an analysis quite as fundamental as Professor Paisley's.

Prescription for profits

By Gail Bronson

EVERYBODY KNOWS pharmaceutical stock prices move with the flow of new products onto the market. But to hear Professor David Paisley tell it, you shouldn't buy any drug stock until you investigate not only the potential market but also the scientific merit of forthcoming products as thoroughly as you're supposed to scrutinize the warning label before swallowing medication. To call Paisley a fundamentalist would be putting things too mildly. He doesn't just dig into a stock, he positively wallows in it. Not for him the gut judgment.

Paisley, 52, spent five years as a star drug stock analyst at Donaldson, Lufkin & Jenrette and then ten at Merrill Lynch. "But," he says, "15 years playing nursemaid to account executives and spending 100 days on the road annually was enough." In 1986 he hightailed it back to the University of Illinois in Urbana, where he had earned his Ph.D. in organic chemistry 25 years before. He now teaches and sells his research reports to many of his old Wall Street clients.

Paisley's long remove from Wall Street and his impressive pace in issuing reports on new drugs (five a year) are custom-made for his style of analysis. He's not looking for short-swing profits. "The concept of the core holding isn't dead in the pharmaceutical industry," says Paisley. "If you can identify a blockbuster, you will get a one-decision stock for the next five years." What's a blockbuster? A chemical that can do, say, $500 million a year in sales, with gross profit margins of at least 70%.

Among Paisley's one-decision calls was his bullish May 1976 report on SmithKline Beckman's cimetidine (brand name: Tagamet) as an ulcer treatment. Most analysts were leery at first because SmithKline had struck out in its two previous attempts to develop such a drug. Today Tagamet brings in revenues of $1 billion. Paisley's buy recommendation

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came a year before SmithKline got Food & Drug Administration approval to start selling the drug, and a year before SmithKline's stock took off. The stock was recently at 58¼, up sixfold from Paisley's buy recommendation, vs. a threefold gain for the market. Paisley doesn't offer an opinion about SmithKline now, since it has no imminent blockbusters.

"When I heard about cimetidine, I ran to the chemistry library and looked up everything I could find on differences between molecules in the earlier toxic drug and this," he says. "On a chemical basis, I decided cimetidine wouldn't be toxic, which gave me the courage to say SmithKline's science was sound and the market bigger than anyone believed."

Paisley was also an early promoter of Marion Laboratories' diltiazem (brand name: Cardizem), a drug for treating angina. As Paisley explained in his June 1981 report, Cardizem is a calcium-channel blocker, something that interferes with the conduction of nerve signals to the muscles that squeeze the walls of blood vessels. When the nerve signals are blocked, coronary arteries relax, allowing more oxygen to reach the heart muscle and relieving the pain of angina.

When Paisley put out his report, it was already evident from published scientific papers that Cardizem would cause fewer side effects than the other two calcium blockers already available. But it was far from clear that the drug would turn into a blockbuster. Estimated sales for fiscal 1988: $450 million. Marion stock is up 25-fold since Paisley's report.

Paisley was a little too early getting in on one Squibb breakthrough. In June 1978 Paisley heralded Squibb's development of a class of chemicals that block a cascade of reactions that lead to high blood pressure. Scientists had known for some time that blood pressure is raised by a hormone called angiotensin. Squibb's achievement was to find a chemical, captopril, that blocks the enzyme that changes the hormone to a more active form. Paisley's report came out with Squibb trading at a split-adjusted 17. On the same basis, in 1984 the stock was still in the 20s, underperforming the market. Why? The FDA at first restricted use of the drug while new safety studies were underway. But captopril (brand name: Capoten) has turned into the winner Paisley predicted. Sales in 1988 should hit $825 million, says Value Line. The stock recently traded at 99¼.

Steve Kagan

Chemistry professor David Paisley
What's the formula for a blockbuster drug?

Notwithstanding the big runup in the past three years, Squibb stock is still a buy, Paisley says. He's looking at what may be its next big hit, pravastatin, a cholesterol-lowering drug to compete with Merck's lovastatin.

"[Lovastatin] shuts off cholesterol biosynthesis in a nonspecific way," Paisley says. "Pravastatin shuts off synthesis only in the liver and gut—leaving the lens of the eye, muscles, adrenal glands, the prostate and testes, where you don't want to disturb cholesterol biosynthesis, relatively unaffected. Merck will open the market with advertising and education and Squibb will come in with its more specific drug to gain equal footing." Magic bullet versus shotgun.

Paisley has muffed a few calls. He pooh-poohed Upjohn's minoxidil, an antihypertensive drug whose internal use will be limited because of a high incidence of side effects. But the same drug may bring in huge profits as a hair-growing lotion.

What now? Paisley runs against the crowd in his skepticism about Genentech, whose $3.9 billion market capitalization largely stands on a still-unapproved drug for dissolving blood clots. (Genentech already markets human growth hormone and has licensed the sale of insulin and interferon to others. However, these aren't generating huge profits.) No question, the need to dissolve clots in the coronary of a heart attack patient is great. But that by itself doesn't make Genentech's tissue plasminogen activator a blockbuster. Says Paisley: "Intravenous streptokinase will be cheaper and more effective in a large percentage of the cases. Why would any doctor use a drug that will cost patients roughly $2,500 per treatment when you can use a $500 one? Besides, I just don't see the market being as large for [clot dissolvers] as others suggest."

What promising drugs does he see now? Eli Lilly's fluoxetine (brand name: Prozac) shows promise for treating depression and obesity. With recent approval for use as an antidepressant, fluoxetine is undervalued in a five-year play.

Alza, developing new drug delivery systems, is on Paisley's buy list. Another company he is keen about is Collaborative Research, which is developing genetic markers to diagnose inheritable diseases. And he still doesn't like Upjohn at its recent 44⅞, baldness cure or not. Wall Street is also talking up Upjohn's lazaroids, which prevent cell damage in certain medical crises, like heart attacks and strokes. But Upjohn could be beaten by competitors working on similar drugs.

Paisley isn't making the money now that he made in Wall Street, where, in a good year, he'd do $300,000. But he isn't doing badly. Besides his professor's pay, he has 13 subscribers to his reports, at $5,000 a year (or $10,000 in directed commissions, half of which he keeps). He earns at least as much more from his consulting contracts.

And then, Paisley has the psychic income of shaping young minds. This semester he is also teaching two students in his senior honors tutorial how to conduct securities analysis. Six of his former students have chosen financial careers, such as options trading and securities analysis. "Top chemistry students can learn business," he claims, "but top business students can't learn chemistry." ■

Investing in entertainment companies frequently calls for a willing suspension of disbelief. Here's why.

Wishful thinking by the numbers

Numbers Game

By Laura Jereski

MARY TYLER MOORE IS about to become publicly traded. At least that's the prospect now awaiting the production company MTM Entertainment, Inc., which holds syndication rights to much of her television sitcom work. As it happens, MTM not only holds worldwide rights to the old *Mary Tyler Moore Show* of the 1970s but also to the more recent *Hill Street Blues, Remington Steele, St. Elsewhere* and *Newhart.*

Do all those presumably valuable assets make stock in MTM Enterprises, priced at 17 times current earnings, a good buy? Maybe and maybe not. The earnings in part are based on expected revenues from syndication deals as yet unsigned. As more than a few entertainment companies have found to their dismay, cashing in via syndication deals on the popularity of network shows isn't always easy.

Look at MCA, which last year unexpectedly wrote off perhaps as much as $25 million against 1986 earnings as a result of failing to sell syndication broadcast rights to *Miami Vice.* What was the trouble? The very "with it" quality of the show, from its Top 40 sound track to its trendy sartorial fashions, gave *Miami Vice* a short shelf life in the minds of a lot of independent television stations that buy syndicated programming. Basically, they doubted that the series would still have much viewer appeal in two or three years' time, when the episodes would finally begin airing.

So what was MCA doing putting out earnings statements based on estimated future syndication revenues it hadn't yet received? In effect, MCA was doing so because of some quirky accounting rules for the entertainment business—rules that distort reality for the sake of attempting to match revenues and expenses.

Accounting rules require that money invested to generate future income be treated as an amortizable asset that is periodically written down. The amount written down each year is based on a formula: current revenues as a percentage of total projected revenues over the life of the series. In estimating that total take, producers can include projected revenues from future syndication sales. The higher the estimate of syndication revenue, the more flexibility the company has in determining its expense each year and the more it can show in current earnings if it chooses.

Obviously, such accounting rules don't necessarily give an accurate picture of a company's business. "The way the accounting is set up," says Oppenheimer entertainment analyst Dennis McAlpine, "you can do almost anything you want to." Put bluntly, if you want to goose up current earnings, and assuming your accountants go along, all you need do is project big syndication sales in the future.

Some companies are uncomfortable with the leeway such rules present. "We don't put any estimate in until we actually have a syndication contract in hand," says Michael Hope, chief financial officer of Gulf &Western. Thus, Paramount wrote off all the expenses for *Family Ties* and *Cheers* before the shows were sold last year for over $150 million each. Operating income from the two shows will amount to $100 million or roughly one-third of Paramount's estimated operating income for 1987.

Sums up Harold Vogel, entertainment analyst at Merrill Lynch, "This is all guesswork on values three to five years out." Caveat emptor. ■

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Triple-your-money investment deals are often suckers' bets. But not if the deals are put together by lawyers, for lawyers.

A piece of the action

By Deirdre Fanning

ONE REASON insider leveraged buyouts sometimes have a smell about them is that the people doing the buying are in an inherently awkward situation. They are trying to take the company over at the cheapest price possible, but they are also supposed to be looking out for the interests of the stockholders.

That is just the sort of dilemma in which a group of plaintiffs' lawyers now find themselves as a result of representing some Vietnam veterans in the Agent Orange case. As attorneys, lawyers are supposed to represent the interests of their clients. But because of a complex fee structure in the case, the lawyers in the Agent Orange matter wound up with their own financial interests at stake as well.

The situation arose when the attorneys agreed among themselves to finance the class action out of their own pockets. In return for the front money, the deal was for the lawyers to get paid back three times the amount of their original stake from the overall fee award, which was to come out of the settlement of the case. In addition, the lawyers were to get a portion of the remaining fee award, based upon the work they contributed.

Judges routinely approve compensation arrangements for lawyers in federal class-action settlements, and what is allowed there can wind up influencing how attorneys structure their compensation arrangements in all sorts of other cases. The question thus implicitly posed by the Agent Orange matter is a basic one: Should lawyers be allowed to negotiate settlements that could benefit them even more than their clients? Depending on what the U.S. Supreme Court says in the matter, lawsuits may soon become as attractive as stocks and bonds to attorneys looking for investment opportunities.

The Agent Orange litigation, a product liability class action brought on behalf of Vietnam War veterans who were exposed to the defoliant during the war, was initially brought in New York federal court in 1979. By 1983 the costs of funding pretrial discovery had become so high that the plaintiffs' lawyers were running out of money. "We needed a minimum of $2 million and a lot of bodies just to go on," notes attorney Thomas Henderson of Pittsburgh's Henderson & Goldberg.

The solution? As is often done in class actions where the plaintiffs' lawyers are paid on a contingency-fee basis, the nine-lawyer plaintiffs' management committee agreed to front some of their own money to see the case through to trial. But in order to ensure the quickest possible infusion of funds in what was then considered a risky case to win, the committee decided to add the unique three-to-one payback sweetener.

When the case was finally settled in May of 1984 for $180 million, the result was a windfall bonanza for the lawyers who had invested in the deal under the fee agreement. One of them, Newton Schwartz, did a mere $41,886 in actual legal work on the case but stood to gain $513,026—three times what he had contributed to date—as his share of the settlement proceeds. By contrast, another attorney, David Dean, contributed $1,424,283 worth of legal work for clients, but since he hadn't invested any money under the fee agreement, he stood far back in line to recover his costs under the fee-sharing agreement, and would collect only $542,310.

Beyond the inequities in such arrangements, the outcome raises obvious ethical considerations. Although the U.S. District Court for the Eastern District of New York approved the initial investment deal of the lawyers, last April the Second Circuit Court of Appeals disagreed. The court held, in part, that the agreement provides an incentive for the plaintiffs' lawyers "to accept an early settlement offer not in the best interests of the class."

Attorney Schwartz and some of his fellow investors are now appealing to the U.S. Supreme Court for a hearing to reinstate the fee-sharing agreement. The best thing the High Court can do, we think, is to let the Appeals Court decision stand. After all, why should lawyers be allowed to set up lawsuit investment deals in which they stand potentially to benefit more than their clients do? ■

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Using its distribution centers as stethoscopes on the marketplace for building products, Georgia-Pacific is coping well in the housing downturn.

Ear to the ground

By David Henry

TO THE SAWMILL workers of rural Arkansas, it seemed a ridiculous waste of time: Why should they wrap every board they cut in protective shrink-wrap plastic?

But to T. Marshall Hahn, 60, chairman of Georgia-Pacific Corp., shrink-wrapped boards were precisely what the company's new suburbanite customers wanted. After all, who wants to get splinters and pine sap all over the back seat of the family car while bringing home shelving for that half-finished wet bar in the rec room?

That Hahn got his way should come as no surprise. In the $70 billion lumber and wood products industry, Georgia-Pacific stands out for its commitment to giving the customer what he wants, not what the company wants. Says Hahn: "We look for intelligence from every major market so we can better meet the needs of the customers and find opportunities for value-added, higher-margin products."

The result: Georgia-Pacific (1986 revenues, $7.2 billion) enjoys the highest operating profit margins (10.3% of gross revenues) in the building products segment of the industry and a healthy 30% return on assets. Building products account for two-thirds of total revenues and nearly three-fourths of corporate profits.

It seems only common sense that companies should supply what the customer wants. For all its obviousness, the history of business is filled with mighty firms that ignored this simple truth and suffered accordingly. That is particularly so for big, capital-intensive companies that invest years and hundreds of millions of dollars on manufacturing plants, then take the attitude that the plant is going to produce what it was designed to produce whether the customer wants it or not.

Consider U.S. furniture manufacturers, which lost market share to foreign companies by relying on styles with straight lines and thus lower production costs. The customers they lost wanted chairs with decorative wood cuts and knobs on the feet.

Thomas England

Georgia-Pacific Chairman T. Marshall Hahn
Running his mills to please his customers.

By contrast, Georgia-Pacific keeps its eye on the customer by maintaining marketing listening posts in the form of 141 wholesale outlets for building products, the largest such operation in the industry. The outlets keep Georgia-Pacific in contact with professional builders and retail home improvement centers. Outlet managers are under orders to stay stocked with what is in demand, even if the products are made by competitors. The computerized operation amounts to a stethoscope on the building products marketplace, keeping Georgia-Pacific on top of the competition and giving the company a head start for manufacturing new products.

Thus, when Georgia-Pacific wholesale managers saw home improvement centers selling a lot of backyard fencing in 1985, they signed up independent fencing makers to supply Georgia-Pacific. Meanwhile, Hahn expanded a mill in Cross City, Fla. to make fencing from nearby cypress trees in the company's inventory. At the same time, the company started up a new line in Holly Hill, S.C. making lattice, which wholesalers in the South had sold successfully. Both lines were up within a year at a cost of less than $3 million.

Being able to react nimbly to the marketplace has helped Georgia-Pacific take advantage of two big changes in the industry: remodeling as an alternative to new construction, and the proliferation of retail franchise outlets selling to do-it-yourselfers. "Our distribution system puts us the closest to the markets," says Hal Airington, head of the corporation's building products businesses. Remodeling and do-it-yourself supplies generate 47% of sales, up from 31% in 1979.

With the spike up in interest rates, the stocks of forest products companies have weakened, particularly Georgia-Pacific's, because of its dependence on housing starts for sales. From a high of $52 earlier this year, the stock recently sold for about $42.50. At only about 10 times Wall Street's consensus estimate of 1988 earnings (vs. 13 for the whole market), Georgia-Pacific's new strength in noncyclical remodeling and fix-up products may make it a buy. If so, that's because this company has learned a lesson often mouthed but rarely meant: Remember the customer. ■

Insurance and Employee Benefits

BY MARY ROWLAND

Like most businesses, the insurance and employee benefits industries have been whipsawed over the past year by the sweeping provisions of the Tax Reform Act of 1986. But the effect on these industries has more to do with the fact that the new tax laws altered the attractiveness of their products than on the change in their corporate tax rates.

Life insurers emerged from tax reform as real winners. After a decade of trying to compete with mutual funds, IRAs and a host of other popular investments, life insurance is in the spotlight as one of the hottest investments of 1987. For investors stung by tax reform, cash-value life insurance policies offer one of the few shelters left. Other policy features, such as tax-free loans at little or no net interest cost, allow taxpayers to use these policies to pay for children's education or even for rainy day money.

The employee benefits area, roiled over the past several years by employers struggling to cut costs and cope with changing demographics, was blindsided by tax changes. Hardest hit were top executives and other highly paid employees. As tax reform attempts to equalize benefits among employees and to recover lost tax revenue, executives may find they are losing many of their perks and companies will be faced with broad policy questions on how to comply with tax reform. Still on the drawing board are new plans to tax employees for benefits provided by employers.

1987's HOTTEST INVESTMENT

Many taxpayers are still struggling to understand the impact of tax reform on their own tax bill. But one thing investors grasped quickly was that most investments lost their tax-favored status. Capital gains lost their preferential treatment. Most tax shelter limited partnerships are gone. Upper income taxpayers lost their annual deduction for Individual Retirement Accounts. Ten-year forward averaging for lump sum distributions from pension plans was eliminated. Clifford trusts and custodial accounts for children have been restricted by applying the grantor's tax rate until the child reaches age 14.

These sweeping changes have sent many investors back to the drawing board looking for ways to plan for their biggest financial needs—retirement and the education of their children. Many of them have come up with the same answer: life insurance.

Life insurance retained all its tax-advantaged characteristics except one. The interest paid on policyholder loans is no longer deductible. But, given the other advantages, it's easy to see why this is the product that agents, brokers and financial planners are promoting this year.

The savings portion of insurance policies has always been tax deferred. When federal income taxes were introduced in 1913, life insurance received special treatment. Legislators reasoned that taking care of dependents was to be encouraged and they provided various tax incentives to prompt people to buy life insurance.

Policyholders were given these benefits: tax-deferred accumulation of the investment portion of the policy; the ability to borrow the earnings tax-free and tax-free distribution of proceeds to the beneficiary if the policy is in force at the time of the policyholder's death. An additional estate benefit is that the proceeds do not have to go through probate.

But it is not the death benefits that have attracted investors in 1987. It is the combination of the tax-deferred compounding of interest, a broad new array of products that offer investors a

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Until a few years ago, insurance contracts offered a fixed interest rate, usually around 5%, for loans. But following the volatile interest rates of the late 70s, insurers changed loan provisions to offer a variable rate. Most contracts now allow policyholders to borrow earnings at a net cost of zero and the principal at a net cost of one or two percent. For example, if the insurer charges 5% interest, it would credit the policyholder with 5% interest on the money as if it were still in his account, giving him a net cost of zero to borrow tax-free money. And, unlike many types of tax-deferred retirement accounts where the Internal Revenue Service places severe restrictions on when and how the accountholder may withdraw the money, a life insurance policyholder may make loans on his policy at any time for any reason.

SINGLE PREMIUM TAKES OFF

Although the tax changes piqued investor interest in a broad range of cash value products, one relatively new type of policy—single-premium life insurance—generated the most interest. For a single lump sum, which ranges from $5,000 to $5 million, the policyholder buys a little insurance protection and a large tax-deferred investment account. The policy has two forms. One, generally called single-premium whole life, guarantees a minimum return. The other, single-premium variable life, guarantees nothing as a return, but guarantees a minimum death benefit. The policyholder can pick his own investments.

Whether a policyholder chooses a guaranteed return whole life policy or a self directed investment policy depends pretty much on his investment profile and risk tolerance. Both offer the same tax-deferred earnings growth and tax-free loan privileges.

These policies, as well as the more traditional whole-life policies and universal life policies, which allow the policyholder to vary the timing and amount of premium payments, to raise and lower the death benefit and to make additional payments into cash value, are available from most stockbrokers, as well as life insurance agents.

Insurers are also offering new and attractive options for the savings portion of the variable policies. In fact, the top-performing mutual fund for 1986, with a gain of over 95%, was offered by The New England and was available

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Yet one of the few tax-deferred investments the 1986 Tax Reform Act has preserved is that of life insurance cash values. And even among life insurance policies, there are some that can be considered better buys than others. The Guardian Spectrum series, for instance. In addition to a substantially increasing death benefit, it currently offers one of the highest rates of return as well as rapid, tax-deferred cash accumulation.*

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Another reason for the increased interest in individual life policies is the trend for employers to shift more of the responsibility for medical care, retirement and other financial and insurance needs from themselves to their employees.

From the end of World War II, when companies boosted benefits in an attempt to attract workers, through the late 70s, benefits costs mushroomed. In fact, benefit expenditures jumped from 20% of direct pay in 1955, to 35% by the mid 70s, according to Hewitt Associates, a benefits consulting firm. But, growth in benefits has been virtually flat for the past couple of years: they accounted for 37.7% of payroll in 1985. "Cost control has become a requirement for most businesses today, and the relatively low level of inflation permits it," according to Thomas H. Paine, a Hewitt partner.

To control costs, companies are tightening the reins on salary increases as well as shifting the cost of many benefit programs to employees. Hewitt Associates predicts that this will be the fifth straight year of relatively low salary gains, with a drop to an average of 5.1% from 5.3% last year. Over the six-year period from 1979 to 1985, real income for the typical salaried employee has risen 5%, according to Hewitt less than half the historical rate of increase since the end of World War II While base salaries aren't increasing much, long-term compensation is, according to Hewitt and, for top executives, long-term incentives and bonuses may exceed base salary.

BLOW TO EXECUTIVES

But the overall cutback in benefits is expected to continue, with added pressure from changes made by the Tax Reform Act of 1986. And, future cutbacks will be most severe for higher paid employees. That's because they will lose more perks as the tax reform provisions attempt to "equalize" benefits and to recoup some of the tax revenue that was lost through executive benefit plans. Some of the ways tax reform attempted to do this was by limiting contributions to retirement plans, limiting maximum retirement benefits, ending preferential capital gains treatment and eliminating many deductions such as the deductibility of loan interest on corporate-owned life insurance

For example, the elimination of the favorable tax treatment for capital gains will limit the attractiveness of executive stock options. Because capital gains will be taxed at the same rate as earned income, executives will have no incentive to exercise the option. Paine expects the biggest impact to be felt in incentive stock options. Companies give up a tax deduction in order to provide incentive stock options to key employees. But because the employee will no longer get preferential treatment for capital gains taxes, the use of ISOs is expected to decrease

"The reductions in qualified plan benefits and contributions have the greatest impact on the highly-paid says Hewitt's Paine. "Employers will have to make some decisions about whether to implement new or expanded supplemental executive benefit plans to make up for the 'lost' benefits.'

Compliance with the new tax act will raise broad policy issues for most corporations, according to a recent report by Hewitt Associates. Today, only about one quarter of U.S. corporations maintain only one benefit program for all types of employees. But giving all employees the same benefits would clearly be the easiest way to comply with the tax act. Other corporations will have to decide whether this remedy will suit their needs. If corporations move in that direction, those who have received preferential treatment under the old plan will no doubt lose it.

RETIREMENT PLANS

At the same time that benefits to top executives are cut back, the cost of pension plans is escalating rapidly. Provisions in the Tax Reform Act added to the cost of pensions and there are additional proposals currently before Congress that will hike those costs further, according to John M. Naughton, executive vice president for group pensions at Massachusetts Mutual Life Insurance Co

For example, the Pension Benefit Guaranty Corp., established in 1974 by tax reform, was designed to guarantee private pensions. Since then, though, too many companies have dumped their liabilities on this quasi-government body and it is not adequately equipped to deal with them, Naughton says. Today the PBGC has $4 billion in liabilities and $2 billion in assets

The levy on employers has already been increased from $1 per covered employee per year when the agency was set up to $8.50 last year. And there are several pieces of legislation before Congress that would increase that to $14, $15 or even $24, Naughton says. Also in the works is legislation that would deal with overfunding and underfunding of plans, in both cases increasing the cost to employers who provide defined benefit plans. "My fear is that they will wrap all this up together in one bill without thinking about what is good retirement income policy for the country," Naughton says.

Naughton thinks mixing revenue raising with retirement planning is bad policy. In fact, he says, the country sorely needs a national retirement policy. "I don't think there has been enough of an examination of the alternatives," he says. The result is that pension plans cost more and more for employers and fewer employees will be covered in the future. "Many companies want to adopt a plan," he says. "But they get to the altar and then there are more expenses than they expected. Many of these companies operate on very thin margins. They just can't afford it."

In fact, Naughton says, with the increased expenses, "I don't know if I could, in good conscience, recommend adoption of a defined benefit plan. I think I would adopt a 401 (k) plan before a defined benefit plan." The 401 (k) plan, named for the section of the Internal Revenue Service Code that permits it, has been the fastest growing retirement plan for several years as employers continue to move from defined benefit to defined contribution plans.

The new tax code places restrictions on the 401 (k), making it less advantageous to higher paid executives. First is the reduction in the maximum contribution from $30,000 to $7,000 a year. But the new rules also require satisfying much tougher anti-discrimination rules to make certain the plan is not favoring the highly paid.

Nonetheless, 401 (k) plans seem to be alive and well. In fact, tax changes that limited other retirement options may give these popular plans a boost. A study this year by Mass Mutual found that growth of the plans slowed in late 1985 as companies waited to see what the impact of tax reform would be. But once the act was passed in 1986, growth of the plans took off again. Most of the companies surveyed felt the new laws would have very little impact on their plans, although many of them anticipated making some minor changes.

In fact, sponsors of many plans that have been in place for a while are adding more options, according to John Richard Rockwell, vice president of institutional marketing for mutual

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funds at T. Rowe Price. "They're adding loan provisions and investment options and doing other things to make the plans more attractive," he says. Rockwell says some employers are also increasing the allowable contributions to the plans because higher income employees no longer receive deductions for contributions to Individual Retirement Accounts.

HEALTH TRENDS

The trend toward managed health care continues, as employers struggle to hold down medical costs. Over the past year, the managed care industry watched with interest as for-profit Health Maintenance Organizations (HMOs) competed for the first time in the New York City market with its population of 17.8 million. New York state regulations had discouraged the HMOs from operating in the state prior to 1986; when the regulations were changed, the big HMOs hit town with a glitzy media campaign. But some of the more aggressive HMOs achieved only 10% to 15% of their target enrollment.

One of the reasons for the disappointing results, according to analysts, was that New Yorkers were uninformed about HMOs and were reluctant to give up their freedom to visit doctors of their choice. Because employees have often refused to join HMOs for this reason, some insurers are attempting to broaden the plans, making them more palatable to greater numbers of people.

In the past, HMOs have also caused a problem for some employers because the younger, healthier people join them, leaving older, less healthy people in the alternative major medical plan, a process called adverse selection, which boosts employer medical costs. Insurers are working to solve this problem, too.

At the same time that insurers work to offer new cost-cutting alternatives, manufacturers of diagnostic equipment are doing their part to trim costs by making new machines that can do analyses quickly and cheaply. For example, last year the Clinical Products Division of the Eastman Kodak Co. introduced a desktop analysis machine designed for use in a doctor's office. The machine can do a variety of blood tests on the spot, saving the patient both the higher cost of work done by an outside lab and the possibility of a followup doctor's visit. "Technology is moving very rapidly to help us reduce the cost of health care," says David Giddings, general manager of the division.

The past year has been one of swift change in employee benefits and more change is anticipated. Congress is again studying ways to raise money by eliminating or modifying the tax-favored status of employee benefits Some of the proposals currently being considered, according to a recent issue of *Business Insurance*, are taxing employees for health and life insurance benefits provided by employers, taxing all employee benefits for workers who earn more than $60,000 a year or changing the tax status of cafeteria or flexible benefits plans

TAX CHANGES

Tax reform may also help to blunt the severity of future industry cycles One important change has to do with the deductibility of insurance premiums. Insurance premiums paid to an insurer are deductible as a business expense. But if a corporation chooses, instead, to self insure, or to pay premiums to its own captive insurer, the expense is not deductible.

This tax savings often influences corporate decision makers. But with the new maximum corporate tax rate falling to 34 percent from its previous 46 percent, the deduction for insurance premiums, like all other deductions, will be worth less. Consultants, like H. Felix Kloman, principal with Tillinghast, Nelson & Warren Inc., expect that change to reduce the attractiveness of paying insurance premiums and give self insurance another boost.

Another tax change will hike taxes on the property/casualty insurers themselves by as much as $7.5 billion over the next five years, according to an estimate by American International Group. For one thing, insurers will be forced to discount their loss reserves to allow for future earnings on investment income. Insurers set aside loss reserves, or money to pay future claims, before they figure taxable profits. The Tax Reform Act forces them to discount this money to take into account earnings on the reserves before claims come due. What this means is that less money should be set aside for loss reserves and more should be available for taxation. For example, the Continental Corp. expects to pay $250 to $350 million more in taxes over the next four years as a result of this change.

Some experts expect both of these changes to have a positive effect on the availability of insurance. In the first case, they argue, corporations will insure more of their own losses, restricting the amount of business that flows in and out of the insurance marketplace, feeding the cycles. In the second instance, too, they say that insurers who are forced to accept a bigger tax bite will be less eager to engage in rate wars by bringing in marginal business.

LEGISLATIVE REFORM

The 1985-86 liability crisis caught the attention of state legislatures as well as the U.S. Congress. By mid-1986, 40 states had passed legislation designed to make insurance more readily available. Some states addressed large jury awards, overhauling the way such cases are handled or imposing limits on awards for pain and suffering. Others moved to limit the actions of insurers or lawyers by putting limits on fees, regulating rates or preventing cancellation of policies.

At the federal level, there is talk in Congress of repealing the McCarran-Ferguson Act, the 1945 law that gives insurers immunity from federal antitrust law and assigns the regulation of the industry to the states. This issue of state vs. federal regulation of the industry comes up frequently. But it is always more compelling when legislators feel that the states are inadequately staffed or insufficiently powerful to control the industry. Such was the case, some thought, during the 1985-86 crisis.

Naturally, the industry is not eager for federal regulation. The National Association of Insurance Commissioners a group made up of the regulators from each of the states, has also come out against repeal of McCarran-Ferguson. In a position paper released earlier this year, the NAIC argued that repeal of the law would do nothing to prevent furthur crises because the unavailability of insurance was not caused by a lack of competition but rather from the earlier price war fought to gain market share.

The days when insurance was predictable and boring are gone. The insurance marketplace has grown diverse and volatile. Individuals and corporations are demanding more and, if they don't find it, they're inventing their own substitutes. Those insurers and other providers of health and retirement products that offer new solutions are growing stronger while some of the less competitive players are losing out. ■

Mary Rowland is a freelance financial writer based in New York.

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On the Margin

From low-tech businesses advanced ideas sometimes spring. Consider junkyard operator Jason Bacher's AutoInfo.

The high margins in heavy metal

By Fleming Meeks

ELEVEN YEARS AGO Bronx salvage yard owner Jason Bacher, 49, had a contract to remove abandoned cars from the streets of the Bronx and Manhattan. "We were bringing in about 3,000 cars a month," he recalls, "and we had no way of keeping track of them." Keeping track was important because even the worst wreck will have some salvageable parts. The insurance industry spends over $4 billion a year on replacement parts for the 12.5 million collision-damaged cars it repairs. Used parts are generally 35% to 50% cheaper than new parts, but only 4% of the parts insurance companies buy are used. There had never been an efficient way for insurers to know what was in the junkyards.

Bacher decided to tackle the problem. He formed AutoInfo, Inc. and named himself chairman. In 1976 he paid $150,000 for a computer. With Howard Nusbaum, then a 28-year-old computer science professor at Brooklyn College, Bacher developed a minicomputer-based system to track the parts inventory of his salvage yard.

Bacher brought four other salvage yard operators in on the computer. As they tinkered, the junkmen decided to add a parts-interchange database. A bright idea: Many car parts, particularly mechanical parts like Chevrolet engines, are interchangeable with other makes and models and with other model years—but you have to know which parts substitute for which. Bacher and friends licensed *Mitchell Interchange Manuals* and computerized the Mitchell data.

By 1983 the cost of computer power had dropped enough to make a standalone version of AutoInfo's Yard Management System affordable. Bacher and Nusbaum, by this time a full-time AutoInfo employee, raised $1.5 million in venture capital and began selling their systems to salvage yards around the country. This allowed yard operators to tell a customer quickly if he had a part in stock—or a substitute part.

At the time, it appeared that AutoInfo's potential market totaled about 3,000 salvage yards in the U.S. and Canada. But then, in the summer of 1984, Robert McClanahan happened to see the Yard Management System in action at Marv's Chevy Only, a junkyard in Sun Valley, Calif. An assistant vice president with State Farm Insurance, McClanahan's job was to stimulate the use of used parts in settling claims for the nation's largest auto insurer.

McClanahan approached AutoInfo about the possibility of pooling its client database in northern Cali-

AutoInfo's Martin Rubin (left), *Jason Bacher and Howard Nusbaum*
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fornia to provide a parts-locating service for State Farm claims adjusters in the area. AutoInfo agreed, and in December 1984 eight northern California salvage yards began reporting their parts inventories to a centralized database at AutoInfo's new headquarters in Lake Success, N.Y.

The results of this test were impressive. In a few months State Farm saw the use of used parts in the test area jump from 4% to 15% to 16%. AutoInfo suddenly was looking at a new business with a substantially larger potential.

AutoInfo's database network currently includes 200 salvage yards around the country. Ten of the country's top 20 insurance companies—including Allstate, Nationwide and Liberty Mutual—have signed up for the Parts Locator service. Five more big insurers, promises Martin Rubin, AutoInfo's 32-year-old president and chief executive, are soon to follow.

AutoInfo claims a 55% to 60% success rate in finding parts and charges the insurance companies $7.50 for each part found. On average a call bills $11.25; insurance companies save $200 on a $1,200 claim.

The Parts Locator service produces gross margins of about 80%. Unfortunately, this part of AutoInfo's business accounted for only 20% of the company's revenues for fiscal 1987 (ended May 31). The rest comes from sales of AutoInfo's lower-margin computer systems. Next year, Rubin says, the Parts Locator service will account for 35% of sales. Meeting the projection will be aided by last year's acquisition of Finnell Corp., a Topeka, Kans.-based satellite communications network for salvage yard owners that has more than 200 subscribers. AutoInfo also signed an exclusive licensing agreement with the Kelley Blue Book Co. that will help adjusters by comparing a wrecked car's salvageable value with its book value.

As they tinkered, the junkmen decided to add a parts-interchange database. A bright idea: Many car parts are interchangeable with other makes and models and with other model years—but you have to know which parts substitute for which.

With all this going for it, how come AutoInfo has lost money every year except fiscal 1982? In its last fiscal year AutoInfo lost $669,000, on revenues of $2.8 million. The losses are the result of heavy spending on marketing the database and its acquisition of Finnell. To keep spending, AutoInfo raised $8.9 million in a second public offering of common stock at 7¾ a share in August, underwritten by Chicago Corp. (The company went public in 1986.) The stock currently trades at 6⅞, putting a market value on the company of $28 million.

The spending may pay off; the losses may turn to profits, as Chief Financial Officer Scott Zecher promises. But AutoInfo doesn't have the field to itself. While AutoInfo has an exclusive license on the *Mitchell Interchange Manuals,* there is a second interchange manual, published by Plymouth, Minn.'s Hollander Publishing, which also markets a computerized inventory system. Hollander Publishing has attracted the attention of the Automotive Information Services division of $1.2 billion (revenues) Automatic Data Processing, Roseland, N.J.'s well-run data management firm (FORBES, *Apr. 23, 1984*). A joint venture between Hollander and the ADP people, which has been discussed off and on for three years, could provide AutoInfo with some serious competition—proving once again that making money on a bright idea is often harder than coming up with the idea. ■

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Strategies

Seymour Holtzman didn't know he was sitting on a gold mine until his son Steven quit bartending and started selling.

Swatch watching

By Kathy Murray

A.J. Bernstein

Gruen Marketing Vice President Steven Holtzman
From a Boston strip joint to smart selling.

TOP-OF-THE-LINE watches—Patek-Philippe, Rolex, Audemars Piguet—they are not. Nor are they simply cheap and flashy Swatch-types purchased to complement an outfit, to be used and discarded. These timepieces are in the middle price range: $39.95 to $195. They carry brand names—often those of once great but now vanquished U.S. watchmakers: Gruen, Elgin, Waltham. But the price category includes products from Seiko, Timex, Citizen, too.

Secaucus, N.J.-situated Gruen Marketing Corp. is big in this market, chiefly through discounting. These middle-priced articles are the kinds of watches most Americans buy, and Gruen Marketing makes a handsome dollar distributing them to retailers. On revenues of $107 million in the most recent 12 months, Gruen netted nearly $5.1 million. That's a nice margin of profit for a wholesaler. Without that profit, Gruen's parent company, NYSE-traded Jewelcor, would have been in the red.

Thank you, shiftless son Steven Holtzman. Here's what Steven did for his dad's company and for the watch business in general:

Jewelcor founder (and owner of 24% of its stock) Seymour Holtzman, 52, has three children. In 1982, at 21, Steven, the middle child, was a college dropout and part-time bartender in a strip joint in Boston's Combat Zone. "I was definitely the family black sheep," agrees Steven. Seymour Holtzman wasn't amused; he cut Steve off financially. But father Holtzman had other worries as well.

At the time, watches were just a sideline to Jewelcor's primary business, catalog showrooms. Once a famous manufacturer and distributor of Swiss watches, the old Gruen Co. was in bankruptcy when Holtzman's Jewelcor bought the name for a pittance. Holtzman figured on merging it with Robert Tabakow, Inc., another company Jewelcor owned that distributed watch manufacturers' overstock. But Jewelcor's declining catalog showroom business consumed most of father Holtzman's attention. By 1982 watches were just 11%, $18 million, in Jewelcor's overall sales.

Then one day a retiring Tabakow salesman suggested Steven take his job. Seymour Holtzman was less than enthusiastic. "I didn't think it would work," he admits. But after some coaxing from his wife, he changed his mind. How much harm could the kid do with a sample case?

The shiftless kid did wonders with

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Best's Review December 1986. 10 or 20 year dividend cost comparisons for a $10,000 policy issued to a 35-year-old male.

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that sample case.

The business that Steven Holtzman drifted into was cut-and-dried. Tabakow bought excess inventory from manufacturers, then sold the watches to discount stores like K mart and Zayre's. The discounters ran ads like "Your choice: Elgins, Seikos, Hamiltons, Walthams, $39.95, three days only." At the end of the sale, the unsold watches went back in a drawer until the next sale, or back to Tabakow. The arrangements were designed to clear inventory without permanently lowering prices for the manufacturers. The next day similar watches resumed selling at discount retailers at prices 25% and more above the sale price.

Young Holtzman couldn't help but notice the Swatch Watch's success. He was hired by his father in 1983, the year that Swatch brought out its cheap but flashy throwaway watches from Switzerland. Swatch's U.S. sales went from zero to $200 million in four years. Seymour Holtzman dismissed Swatch watches as "junk" but Steven saw things differently. If Swatch could sell plastic "junk" through retail outlets as a fashion item, why couldn't he move Gruen's better-quality but still inexpensive watches the same way?

So while father Holtzman worried about the eroding catalog showroom business, Steven started pushing discounted brand-name watches into stores where they'd never been: Saks, Bloomingdale's, Alexander's. Most recently they've entered supermarkets, Navy PXs and beauty parlors.

The business boomed, going from $18 million to $105 million in four years. Thanks in large measure to trailblazing by the Japanese in quartz technology, and later in marketing by the Swatch people, the public was being lured further from jewelry stores to get watches. The new outlets were delighted to stock a relatively high-priced, high-margin impulse item. Confesses Seymour Holtzman, "When he [Steven] wrote $17 million in new business his second year, I decided I better pay more attention."

Holtzman appointed himself chairman of Gruen and proceeded to raid watch companies like Pulsar and Hamilton for experienced management. Steven Holtzman, now 26, got a vice presidency. Salary and commission: some $200,000.

Business was so good that sales threatened to outpace the quantities of closeout merchandise available. So what was Seymour Holtzman's solution? Get the suppliers to manufacture for the company. "We buy in such bulk [sometimes 20,000 units at a pop, compared with 200 for a watch retailer] they couldn't say no to us," he boasts. Today about 35% of the watches Gruen peddles are real closeouts, compared with 65% in 1983. The balance are sometimes more cheaply made or are outdated versions of the regular watches bearing the makers' names.

To cash in on the current American obsession with designer names and to move into a slightly higher-price market, Gruen introduced nine designer watches at department stores in fall 1985. These are for those who want distinction but won't pay $1,000 and up for Rolex or Concord. Priced at $59 to $250 and selling under such names as Pierre Cardin, Bill Blass and Givenchy, the watches could add $35 million to Gruen's sales.

Last October the Holtzmans combined Tabakow and Gruen and took Gruen Marketing public, selling 24% of its stock. Gruen's market capitalization was recently $94.5 million—a good price for something that was almost worthless five years ago. Thus is wealth being created these days.

Gruen Chairman Seymour Holtzman
Old folks learn from kids, too.

Gruen's success is certainly fragile. Today young girls may be wearing two or three watches on a wrist, but who knows? Next year they might indulge some other fad. Middle-aged folk, the bulk of the wage-earning population, already go for more expensive timepieces.

After the experience with Steven, Seymour Holtzman is no longer ignoring his children. His 23-year-old daughter Allison has been working on a line of silver jewelry. Allison's credentials: a hereditary hustling skill that has helped her build a now valuable autograph collection.

The eldest Holtzman offspring, 27-year-old Marc, is helping dad, too. A onetime Reagan state campaign director, son Marc is a Washington lobbyist. Some big watch companies like Seiko and Citizen want to prevent people like Gruen from getting their product on the grey market abroad and selling it here at a discount. Besides being in a position to lobby on his dad's industry's behalf, Marc is working on Jack Kemp's presidential campaign.

"I never thought having my kids work for me was a good idea," Holtzman says, somewhat sheepishly. But when Allison recently suggested the American flag would be a good face for a watch, he went along. Kids can learn a lot from older folk, but it works the other way, too. ■

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IBM

For years skeptics sneered at Amdahl Corp. as a front for Japan's Fujitsu and an IBM copycat. Lately, the skeptics are silent.

Learning from disaster

By Marc Beauchamp

THE FUTURE OF AMDAHL CORP. looked bleak five years ago, to say the least. The Sunnyvale, Calif. company makes IBM "plug-compatible" mainframes—computers that can run the same software that IBM mainframes use, but do it as fast for less money. When it rolled out a major new line, in 1982, Amdahl offered a convincing demonstration of how to do everything wrong.

To start, its machines were late to market. When they did arrive they were infested with so many bugs that Amdahl field engineers had to scurry about doing retrofits. Worse, in an attempt to anticipate IBM's latest computer operating system, Amdahl guessed wrong. A few months after Amdahl's computer was announced, IBM unveiled a new, advanced operating system different from Amdahl's expectations. Amdahl was only 90% compatible. Not good enough. It took another six months for Sunnyvale to catch up, putting the company out of the copycat game for a full year.

Predictably, the results were devastating: Sales stalled, and net margins plunged to 1.1%, from 6% the year before. Amdahl's share of the market for IBM mainframes slumped to around 12%, from 17% in 1980. On Wall Street Amdahl's stock fell beneath $9, from $23 the year before.

Humiliated, then-President John Lewis and his lieutenants hunkered down and vowed to get it right the next time. And they did. In late 1985, when Amdahl announced its latest generation of computers, it mounted an orderly march on the market, not a guerrilla attack. IBM's Sierra mainframes were already in the marketplace before Amdahl shipped its versions, the 5890 family. No compatibility problems this time. By insisting on exhaustive, pre-rollout testing, Lewis, 52, made sure the machines worked before they got to customers.

Results? This year Amdahl will ship around 250 of its new machines (at $3 million to $9 million apiece), exceeding expectations. This year, too, Amdahl, which has been selling computers since 1975, will report sales exceeding $1 billion for the first time—perhaps hitting $1.4 billion, a 45% increase on 1986. More impressive, profits will likely triple, to around $125 million. Amdahl's market share has recovered from 12% to around 15%.

Amdahl's Zemke, Lewis
"We do not just copy."

The stock market has noticed. In the past year Amdahl's stock price has gone from 18 to a recent 48, an alltime high. And though many industry-watchers think the stock is now fully valued, a few, notably at Montgomery Securities and Gartner Securities, are still trotting out "buy" recommendations.

Amdahl Corp.'s newfound respect owes much to now-Chairman Lewis' insight that offering products that are only cheaper and faster than IBM's was no longer enough. So Amdahl has begun offering features that IBM doesn't. Example: Amdahl's Multiple Domain Feature, a leased software package that allows the computer to run as many as four operating systems at once. That means, for example, that a company's engineering department can run Unix at the same time its payroll or accounts receivable department is using another operating system—all on the same mainframe.

In another smart move, Lewis has diversified Amdahl's product line. From nothing in 1982, Lewis has built storage products, such as disk drives, to 23% of product revenues. Here, too, Amdahl has added something extra. Amdahl's disk drives, made to order by Japan's Fujitsu, Ltd., use state-of-the-art thin film technology that increases reliability and capacity.

Such non-IBM additions also help alter the perception that Amdahl is merely a marketing arm for Fujitsu, the Japanese computer giant that owns around 48% of Amdahl. That relationship dates to the mid-1970s, when founder and former IBM engineer Eugene Amdahl, unable to convince conventional money sources that there was a market for IBM plug-compatibles, turned to the Japanese for help. (Amdahl himself left in 1980 to found Trilogy Ltd., a disastrous attempt to build a mainframe around a jumbo-size computer chip.) Amdahl designs its mainframes in Sunnyvale and builds them in Sunnyvale and Dublin, Ireland, but the guts of its computers are manufactured in Japan by Fujitsu.

Even so, Amdahl executives bristle at the suggestion that they are simply pawns in Fujitsu's worldwide battle with IBM or that their machines are just IBM knockoffs. Snaps President Joseph Zemke, 47, himself an 18-year IBM veteran: "We've got a thousand engineers here. We've built four generations of machines that are one-third the weight, 60% the size and 30% to 50% faster than IBM's. We do not just copy."

One cloud on the horizon, however, is the recent IBM-Fujitsu software copyright settlement. The terms, which remain secret, could be expensive to Fujitsu or hobble its research and development efforts for a while. And Amdahl will need Fujitsu's technology and engineering expertise to match IBM's next generation Summit mainframe family when it arrives around 1990.

The pressure is relentless when you operate in the shadow of the giant. Amdahl learned from its last disaster that there is no room for error. ■

This Time The Patient Is The Company Medical Plan.

When corporate merica gave its medical plans check-up last year, it found a ıspicious growth.

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Health care is raising ıajor financial concerns, say 466 employers responding to ıe 1986 Johnson & Higgins ealthGroup study of corpo-ıte health care plans.

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Also, nearly three of five employers admitted they hadn't begun to deal with the massive financial problem of retiree health care liability, estimated now to exceed $100 billion.

Yet, by 1996, companies will be obligated to provide health benefits to one retiree for every two active employees.

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RISK AND INSURANCE MANAGEMENT SERVICES: HUMAN RESOURCE AND ACTUARIAL CONSULTING THROUGHOUT THE WORLD

McKesson Corp.'s expertise in distribution is developing a business in one-stop shopping at the grocery store.

Billion-dollar brainstorm

By Gail Bronson

TWICE A WEEK, Nancy Richards, a clerk in a Manchester, N.H. supermarket, strolls down the aisles sweeping a 12-inch-long electronic wand across shelves stocked with everything from toothpaste to trash can liners. Forty-eight hours later, a truck pulls up at a loading dock behind the store, and delivery men begin wheeling in boxes of goods to restock the shelves.

Welcome to "service merchandising," the latest thing in retailing. Thanks largely to San Francisco-based McKesson Corp., just about any supermarket or general merchandise store in America can maximize its return on nongrocery goods as never before. Computer-monitored inventories using "universal bar codes" offer faster restocking of shelves and fewer low-turnover items there.

Tightly controlling inventories of high-margin items like health and beauty aids is important to supermarkets, which generally have some of the thinnest gross margins in all of retailing. McKesson recognized this a few years ago when Thomas Field Jr. became its president. He brought with him the knowledge from his unhappy experience with regional distributors as president of American Stores, which runs several supermarket chains. He became convinced that efficient sales and servicing of nonfood items to supermarkets and general merchandise stores nationwide could be a major opportunity.

Since then, so-called service merchandising has proved a bonanza not only for cost-conscious retailers but for McKesson (1987 fiscal year revenues, $6.7 billion) as well. After gobbling up three major regional distributors for $140 million, service merchandising currently accounts for fully 10% of the firm's revenues and 20% of its operating profits. McKesson needs more such help. Its wholesale drug business continues to do well (current revenues, $4.5 billion; return on invested capital, 20%). But its liquor business, while still profitable, is dwindling, and its office supplies operation is floundering.

Peter Blakely Picture Group

Stock clerk using hand-held scanner
Computerized rack jobbing.

As the largest service merchandiser in the industry, and the only one operating nationwide, McKesson dwarfs far smaller rivals like C-B Drug and Mandell Kahn, which have revenues of $100 million at best. Moreover, says McKesson's Field, service merchandising revenues should rise to over $1 billion by 1991, further widening the gap. "We see tying this business together with our wholesale drug business as the future of McKesson."

McKesson distributes some 26,000 different nongrocery items ranging from hair spray to automobile engine oil to more than 18,000 supermarkets, convenience outlets and neighborhood food stores. A retailer may simply have goods dropped at the back door, or he may pay McKesson to manage and stock whole sections of his store. Whatever the deal, devoting more shelf space to such high-markup items not only increases overall profitability but allows a retailer to compete more effectively with deep discounters like Wal-Mart and K mart.

Take Associated Wholesale Grocers, a $1.7 billion store cooperative in eight states, including Kansas, Missouri, Arkansas and Oklahoma. It buys from a McKesson's unit based in Harrison, Ark. Associated's stores tend to range from 20,000 to 50,000 square feet of floor space, with about 90% devoted to grocery items. But next year the chain will open an outlet in Independence, Mo. that devotes nearly 25% of its selling area to nongrocery items supplied by McKesson. Says Douglas Carolan of Associated, "Competitors like K mart are adding food, so why shoudn't we add nonfood items?"

McKesson is plainly profiting from the growing trend toward one-stop shopping. "When people build new stores, general merchandise and health-and-beauty aids aren't an afterthought," says Robert Gordon, president of Alexander's, a Lowell, Mass.-based operator of 13 New England supermarkets. "Our newest stores have 50% more space devoted to such high-margin categories than they used to. It's what my customers want."

In precomputer times, service merchandising was known simply as rack jobbing. Basically, the business consisted of wholesale route men traveling from one store to the next taking restocking orders, then phoning them in to various suppliers. But with the appearance of McKesson and its rivals, rack jobbing is now all but extinct. Those jobbers that still survive do so by adding such special interest lines as videocassettes and pet supplies and by handling accounts smaller than the giants would care to bother with.

The trend is clear. "The fewer vendors a big store has to deal with the better," says Carolan of Associated Grocers. "The specialized fellow with but one or a handful of products to bring us will eventually go the way of the dinosaur." ■

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BUILDING BUSINESSES INTO LEADERS

Handcrafted, original wearables are no longer for the very rich alone. Many talented painters and sculptors are turning their hand to jewelry and fashion accessories.

Wearable art

By Phyllis Berman

WEARABLE ART is hardly a new idea. Artists in turn-of-the-century Vienna strove to infuse all items for everyday use with their design concepts. Josef Hoffmann, best known for his architectural design, created jewelry and hats. In the U.S. in the early 1900s, members of the arts and crafts school made jewelry as well as furniture. Louis Comfort Tiffany in New York and René Lalique in France brought creative design to jewelry as well as to lamps, glassware and other household furnishings.

Today, as affluent consumers struggle to assert individuality in a mass-production society, wearable art is coming into its own again as jewelry and even as medium-priced dress accessories. It's one of the hottest things in retailing.

Consider Eric Javits, for example, the 31-year-old grandnephew of the late New York Senator Jacob Javits and graduate of the Rhode Island School of Design. Javits runs a factory in Manhattan's garment district, employing about 25 people who make hats, hair ornaments and veils, fanciful ones, encrusted with sequins or covered with lace. They sell for $45 and up as exclusive items in selected retail stores. "What career woman cares about price?" asks Javits. "As long as career women care what they look like, I'm in business."

Or consider Tony Papp, son of Joseph Papp, the New York theater impresario. Young Papp, 26, makes jewelry with geometric metal inlays for sale in his store, situated in New York City's Trump Tower.

Lisa Abbott

Eric Javits adjusting a model's hat
"As long as career women care what they look like, I'm in business."

Rafael Sanchez, a painter and graduate of the Boston Museum of Fine Arts School, produces hand-painted wooden pouches that sell for up to $2,000. Sanchez, in the tradition of the great artists of history, has a studio and 15 students who execute his designs. Each hand-size pouch requires two weeks to complete.

There's Martha Sturdy, a Vancouver-based sculptor, who now makes jewelry. There's James Arpad, once an aspiring architect, who spends hours decorating everything from shoes to handbags with "Austrian crystals," also known as rhinestones. And there are the three Savitt sisters from Brooklyn, daughters of a painter and sculptor, who now design and market jewelry.

Wearable art is a tiny part of the $10 billion business retailers do in accessories each year, but they love it. It gives them something different and often exclusive for their possession-laden customers. "Accessories are the impulse purchase of the Eighties," says Jon Weiser, the co-owner of New York City's trend-setting Charivari high-fashion stores. "They've taken the place of impulse cosmetics buying."

Retailers also love accessories because of the markups. "In the upscale accessories market they are huge," explains Joseph Siegel, vice president of merchandising at the National Retail Merchants Association. While a dress that wholesales for $100 may retail for twice that, deluxe accessories that wholesale for $100 can retail for at least $250.

Customers love wearable art because it lets them pamper themselves in a new way. They don't have to deal with fitting rooms as they would if they were buying clothing. Nor do they have to do research and study as they would if they were buying fine art. They simply walk up to a counter and buy. "I find myself at the earring counter at Saks on more lunch hours than I am willing to admit," says one young investment banker. "With the price of clothes what they are today, I can really afford only a few good dresses. But I can easily buy a dozen pairs of earrings and more hair bows than you can count," rationalizes a smartly dressed advertising executive.

The business has become sufficiently well-established to have its own burgeoning infrastructure of representatives and dealers. Elyse Kroll, 34, is in the process of becoming a powerful starmaker in this corner of the world. In August she staged a lavish but exclusive trade show at New

Brad Trent/Dot

Robert Lee Morris
At the pinnacle of the market for avant-garde ornaments.

Brad Trent/Dot

Morris' Artwear store in New York's Soho
To retail through Morris, artists have to audition for him.

York City's newly redone Omni Park Central Hotel. She selected approximately five dozen of the artists that she considers best and helped them present their work in high style to an equally select audience of retailers—New York's Charivari, Chicago's elite Ultimo, San Francisco's equally elite and high-fashion Wilkes Bashford.

At the pinnacle of the market is Robert Lee Morris, a jewelry designer and owner of the Artwear shop in New York City's Soho. Some 50 artists now retail their avant-garde ornaments of metal, plastic and wood through Morris' store. He doesn't take on just any artist, though. They must audition for him first with a collection of up to 50 pieces.

Artists fashion most of the one-of-a-kind pieces they show at Artwear by hand, but when they start filling orders for other stores they often need to learn new skills. They need to learn techniques for small-scale production, for example, and how to obtain financing. These are often tough hurdles for artists to clear.

Martha Sturdy in her Vancouver studio
A home on a Pacific cliffside, with antique Chinese furniture.

Nobody knows that better than Vicki Danziger and Jane Goldban, the owners of Rockville Centre, N.Y.-based Revivals. Both were amateur designers who turned their attention to restoring jeweled and lamé handbags dating from the 1920s and 1930s.

Danziger and Goldban first took lessons from an elderly seamstress experienced with handbags, then hired five helpers and sent them home to do the work by hand. Their capital was just $2,000, contributed by their husbands. Meaning they couldn't afford to sit on inventory. So they carted suitcases full of their $450-to-$3,000 ornate bags to hotel rooms to visit out-of-town buyers. The two have recently made it to an important rung on the business ladder, however: They've gotten a representative to carry their line.

A good rep can be invaluable. The best reps, like those at Fragments, a Soho-based outfit, supply business acumen—things like guaranteeing on-time deliveries and handling complaints that help establish business credibility for their stable of designers. If a customer wants four dozen of a particular item and the artist-businessman can produce only two dozen, Fragments makes that clear. It makes certain the artist doesn't overcommit himself.

A good rep can help get what the aspiring wearables artists need most of all: publicity. Credits in a fashion magazine. Getting a celebrity, however marginal, to appear in public with your stuff. Getting one or two rich folks to buy your stuff and tell their equally rich friends about it.

Once you are in, you are in. Carolyne Roehm, a hot designer and wife of Henry Kravis of Kohlberg Kravis Roberts, called on Martha Sturdy to make some polka-dot and striped plastic jewelry to accent Roehm's latest nautical daywear collection. After the showing of Roehm's new line, Sturdy's orders grew. The show also resulted in magazine credits.

At the start of her career, Sturdy had been lucky to get one or two of her hand-soldered pieces credited in a big-name magazine. "This year I have 30 credits—and in magazines like *Elle*, where they do the kind of head shots that accentuate jewelry," says Sturdy. Soon Sturdy hopes to open her own showroom in one of the two buildings at Fifth Avenue and 38th Street in New York's garment district where big-name accessories manufacturers congregate. The Savitt sisters already boast Raquel Welch and Mick Jagger as customers, as well as a couple of the corporate world's nouveaux riches, Victor Posner and Asher Edelman.

Artists, being artists, usually need a partner. Dutch designer Hans Appenzeller, 37, creates jewelry of precious metals. He persuaded several wealthy patrons in Amsterdam to back him so that he could open his own Madison Avenue gallery—complete with recessed glass showcases with black square fixtures and mirrored panels. But the money went out faster than it came in. So his backers brought in Yumiko de Muinck Keizer, a newly minted Columbia M.B.A., to be his business manager. "Let's face it," says de Muinck Keizer, "how many of these artists know how to run their own business? That's why I'm here."

One more reason, therefore, that the talented need not live in garrets. "I was used to a certain lifestyle when I was growing up," says Eric Javits, "and let's just say that with my business I have been able to maintain that style." Adds the former struggling sculptor Martha Sturdy, "I've got a home on a cliff overlooking the Pacific decorated completely in antique Chinese furniture." The three Savitt sisters are now businesswomen more than artists. "We want more," exclaims Janis, the youngest. "More stores. More money. More fame. More of everything." ■

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It will be at least five years before the Soviet Union sees major successes from reforms now being attempted, says Gorbachev's principal economic adviser. "Before then," he says, "we can expect a slackening in the rate of growth."

"The Soviet economy is in a grave state"

A chat with Soviet restructuring architect Leonid Abalkin

By Peter Fuhrman

LEONID ABALKIN is not a member of the Politburo, nor of the Central Committee, nor of the Red Army General Staff. For most of his life, the Soviet state has limited Abalkin's audience to a small circle of fellow economists in the U.S.S.R. Academy of Sciences. There, Abalkin's relatively liberal ideas would do little harm.

Suddenly, Abalkin and his ideas for economic reform are basking in glasnost's warm glow. Now Mikhail Gorbachev's principal economic adviser, Abalkin is influential in the massive restructuring effort—*perestroika* in Russian—to revive the sick Soviet economy. Recently in Britain to attend a conference on the Soviet economy, Abalkin spoke with FORBES in the flower garden of Wiston House, a stately manor near the tatty English seaside resort of Brighton. The elegantly dressed Abalkin, a deliberate speaker, steered clear of military subjects but was surprisingly frank about the rocky path behind and ahead of the Soviet Union's civilian economy. Speaking through a translator—and perhaps in an effort to allay conservative Westerners' fears of a resurgent Soviet economy—Abalkin quickly dashed expectations that economic reform will produce positive results quickly.

Abalkin: We aren't aiming for just a slight amelioration in the economic situation in the country. We want to achieve a level of technological and social progress that is on a level with that of the West. It will be at least five years until we begin to see major successes in the reform program.

Isn't there a danger that the reforms will create political and social ferment that will weaken, rather than strengthen, economic output?

The next three years will be a transition period. Old methods of economic management will remain until the early 1990s, when the new system of running the economy will become comprehensive. Before then, we can expect a slackening in the rate of economic growth.

But I'm not sure this is bad. We are trying to redefine the nature of economic growth in the Soviet Union. Quite often in our history, high rates of growth were achieved only by making larger volumes of products that no one wanted to purchase. These products just stayed in the warehouse. In Russian, we call this kind of production "working for the storehouse."

If the fall in our rate of economic growth reflects a cutdown in this useless work, then this would be a positive development. The most important thing for us now is to raise the technical level of our production.

Kosygin and Khrushchev attempted economic reform and succeeded in antagonizing the bureaucracy, which toppled them. Will this not be a problem for you and General Secretary Gorbachev, too?

It's not enough just to reform the economy. We also have to reform the thinking of many people in the ministries of this country. The simple fact is that the Soviet economy is in a very, very grave state.

Soviet economic reformer Leonid Abalkin
"I must be realistic."

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Abalkin playing croquet at Wiston House near Brighton
"The success of the Reagan revolution was not unexpected."

Your country sold more than $150 billion worth of oil during the last decade. Yet this huge sum of money led to little, if any, economic improvement. What happened?
We exported a vast amount of oil and earned huge amounts of hard currency. If we had had a rational economic policy at that time, we could have used this money to thoroughly modernize the economy. But wisdom was lacking. Many in the Soviet Union thought we had found an everlasting source of hard currency. Therefore this oil money was used very irrationally. Part of it was used to buy grain and consumer goods that solved immediate problems, but basic failings went uncorrected.

We didn't use the Western machinery we bought to develop technology of our own. The oil money was used in a very backward way.

Is the Soviet Union responding to external pressure in reforming its economy? Have economic sanctions hurt?
The major impetus for *perestroika* was provided not by the sanctions but by internal economic problems. The economy is ill. We don't want to go on living in the way that we've been living over the past years. We always react sharply when someone tries to pressure us into something by political or economic means. Any economic pressure only forces us to mobilize our internal resources.

Has the success of President Reagan's economic policies—which have slashed inflation and unemployment, while stimulating a recovery in America's manufacturing industries—impressed you?
I'm not an expert on the American economy. But the most realistic experts in the Soviet Union realized that, in the long term, the Reagan reforms would bring about positive changes in the economy.

One important reform was the [1981] changes in American amortization laws, which allowed American corporations to shield more of their profits from taxation and channel profits to the modernization and expansion of their businesses. This change in amortization laws was carefully thought over.

The functioning of the modern economic system requires quick and constant modernization of a business. The [1986] Reagan reforms [reducing individual and corporate income taxes] also brought about a large change in the attitudes of Americans: improving their attitudes toward their jobs, their businesses and their rate of productivity growth.

Even if I'm not an expert, the success of the Reagan revolution was not entirely unexpected.

Let's talk about Hungary. It has experimented boldly for years with the kind of economic reforms you envision. Yet Hungary has now fallen into a serious economic crisis.
Hungary was very successful in reforming agriculture. We will use their experience to develop our own policies. But Hungary didn't succeed in solving a most crucial problem both for the Hungarian and Soviet economies: overcoming slow technological change.

If the Hungarians had made effective use of these huge loans from Western banks by producing high-quality goods for sale in the West, they would have quickly repaid their loans. But they have no competitive products on the Western market.

The Soviet Union has no future unless it can produce high-quality products based on advanced technology. We must not fail as the Hungarians have failed.

The Hungarians have had another problem: their unwillingness, so far, to liquidate their unproductive, loss-making factories. Will the Soviets repeat this mistake?

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There is a Russian saying: "The threat is always more powerful than the action." Soviet enterprises must become aware that there is a very real possibility of going bankrupt. This should provide an incentive to work better.

Right now the only commodities that are plentiful in the Soviet Union are bread and currency. People have plenty of rubles but little to buy with them. Savings now total 300 billion rubles, $480 billion at the official exchange rate. Why should Russians work harder for more rubles if the rubles can't buy anything?

The first approach is to slow the rate of growth in monetary incomes and the money supply and speed up the volume of consumer goods available. Wage increases have snowballed, and we have to stop them. By raising prices, limiting wage increases and increasing the output of high-quality consumer goods, we should be able to give the ruble real value.

The second problem is far more complicated: How to dissolve this huge pool of savings? This will require some extraordinary measures. These savings represent delayed demand. There's been no opportunity for Soviets to spend this money. There should be an opportunity for people to become shareholders, to form cooperatives that would set up private businesses.

There may be other approaches, but we're still not sure how to dissolve these savings in an economically productive way.

Do most Russians understand the basic link between higher prices and more plentiful supply?

No, they don't. In the coming two to three years, we will reform the entire pricing system. It will certainly involve increases in prices of meat and dairy products. There will be some confusion. We hope to convince our people of the need for price reform, but this is a problem that will take some time to solve. And I must be realistic in evaluating the strength of the old ideas, of the ministries and Gosplan. It will be difficult for them to switch to new methods.

For several years now, under a Republican Administration, the U.S. has been going through its own perestroika *at the cost of unemployment and all kinds of painful but ultimately beneficial change. But a capitalist economy is supposed to be a little bit chaotic, whereas a socialist economy is supposed to be neat and orderly. Maybe the ordinary Soviet citizen will prefer threadbare stability to unemployment?*

The restructuring led to a large number of people being pushed out of production jobs. The same thing will happen in the Soviet Union.

But in the U.S. the restructuring took place at a time when the service sector of the economy was already highly developed. The service sector couldn't absorb all those workers pushed out of production. In the Soviet Union our service sector is still very backward.

In the coming 15 to 20 years, we hope that service industries will accommodate the millions of people who will be pushed out of manufacturing jobs. This shift will require major investment and retraining, but we think that it can be done without creating unemployment.

We must always bear in mind that we are dealing with two completely different systems. We are a socialist country with a planned economy. Our *perestroika* will not change this. ■

A sensible proposal for opening power generation to competitive bidding has been taken up by public power advocates hoping to spread their tentacles.

Power to the people

By James Cook

LAST JUNE Federal Energy Regulatory Commission Chairman Martha Hesse proposed a system of competitive bidding on electric generating projects. She suggested that the right to build new power plants should be up for bidding by utility companies. The bidding would be partly on the basis of who could deliver the lowest-cost power. That gave Richard M. Flynn, the 56-year-old lawyer who heads the New York State Power Authority, the opening he was looking for. Why not give consumers a break by increasing the role of public power producers, like his state-owned agency?

Flynn's proposal goes beyond Hesse's. He suggests that state power authorities, which even after tax reform can get an edge through tax-exempt borrowing, should be allowed to compete openly against private utilities in generating and transmitting power.

Flynn, son of a onetime Democratic Party boss, Edward J. Flynn, knows his politics. As Flynn conceives it, state public service commissions would decide when new generating capacity is needed, open it to competitive bidding and issue a license to build to the low-cost bidder. That might be stacking the deck. In 1986, for instance, noninvestor-owned utilities, mainly public agencies, charged only 5.8 cents per kwh of power they produced, vs. 6.7 cents for investor-owned utilities. The chief pricing advantage for the New York Power Authority lies not only in its ability to borrow more cheaply, but in its charter's mandate to sell power at cost.

Flynn says: Let the investor-owned utilities concentrate on transmission and distribution and diversifying into unregulated businesses and leave the business of generating power to quasi-governmental bodies. With generation separated from transmission and distribution, the public agency wholesalers would be free to achieve the economies inherent in scale and standardized plant construction.

Flynn couches his imperialism in public-interest terms: A winning bid would have to involve continuity, safety and reliability of service—and keeping rates down.

Would such a system have prevented the miscalculations of the market or the enormous cost overruns that destroyed the U.S. nuclear power program? Could it have limited the inflation in construction and interest costs that produced those overruns? Could it have avoided the technical and managerial failures that afflicted contractors as renowned as GE and Stone

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& Webster or utilities as experienced as the Tennessee Valley Authority or Consumers Power? Probably not.

As Flynn sees it, the new covenant he's proposing simply extends the way the $1.3 billion (revenues) New York Power Authority has operated for the last 30 years. Competitive bidding is not only a demonstrably workable concept, Flynn says, it's the reason the Authority has emerged out of nowhere to supply roughly 35% of New York State's total electricity.

"We have to undersell the investor-owned utilities to survive," Flynn says, and it did so last year by a cool $1 billion. The Authority doesn't average its rates statewide but targets the rates of its investor-owned competitors, setting one level where utility rates are high, another where rates are lower. The Authority uses the same strategy in industrial development, targeting rates elsewhere in the U.S. in an effort to keep industrial customers in the state, and for a time even considered targeting rates in the Third World when local aluminum producers complained of their overseas competitors' low power costs.

The utility industry has greeted Chairman Hesse's proposal mostly with caution, but in some quarters with enthusiasm. But Flynn's case for public power as a major player in the bidding process is another matter.

Public power is universally subsidized, at least to the extent of its tax exemption—and sometimes through low-cost government loans and government subsidies as well. Flynn's Power Authority, for example, finances its construction program with low-cost, tax-exempt bonds and pays no income taxes on any excess over costs it may produce. And until 1985, the Power Authority never even considered depreciation a cost it needed to recover in its hydroelectric rates.

With such advantages, no wonder public power is lower-cost, on average, than private power is, on average. Individually, the variations range all over the lot for both public and private power.

Flynn argues that the Power Authority could have supplied even more low-cost power to the state's utilities if the conditions of its tax exemption had not limited its sales to the private sector—to 25% until last year, and to no more than $15 million under the new tax code. Thus, Flynn would like to see a 100% tax exemption for public power companies under the proposed bidding system.

What's Flynn's game? Public agencies have the same impulse to empire-building that private companies have, and for evidence of that you need look no further than Flynn's New York Power Authority. Formed to exploit the hydroelectric resources of the St. Lawrence River, the Authority has been expanding its reach ever since, often over the opposition of local utilities, developing hydro facilities around the state, taking over two plants from the near-bankrupt Consolidated Edison, and even moving into nuclear power in its own right.

Since the mid-Seventies the Authority has used its position as marketing agent for low-cost Canadian hydroelectric power to move increasing quantities into the state, and is currently building a $1 billion, 200-mile high-voltage transmission line that will bring Authority power within 50 miles of New York City.

More recently, in its efforts to protect the state's industries, the Authority began delivering low-cost power to customers of Consolidated Edison (General Motors, Shearson Lehman Brothers) and Long Island Lighting (Grumman), and then claimed that Con Edison was charging an unfairly high fee to wheel the power to its customers. The Authority demanded (and got) the same transmission rate Con Edison charged for wheeling power to government agencies.

Certainly the U.S. will need more power in the not too distant future, whatever the risks involved in producing it. Competitive bidding is a promising and productive path, but bringing public power agencies into the game may not be the best way to level the playing field. ■

William Waldron

New York Power Authority's Richard Flynn
Imperialism couched in public interest terms.

Robert Moses Power Plant at Lewiston, N.Y.
Is a mandate to sell power at cost any way to level the playing field?

On paper, Harvard's $4 billion edges out the University of Texas as the top college endowment. Forget paper. The real score:

Longhorns 8
Crimson 4

By William P. Barrett

RELENTLESSLY PROPER Harvard University and the oil-stained roughnecks at the University of Texas have been elbowing each other for the last decade over which has the fattest college endowment. State-supported UT, which opened its doors 104 years ago, slid ahead for the first time in 1985. On June 30 this year Ivy League Harvard, founded in 1636, was back on top. It valued its holdings at $4.02 billion, a shade more than the $3.86 billion on the combined balance sheet of the UT system's three endowment funds. A distant third was Princeton University, with $2.3 billion in its fund.

But in reality there's no contest. That's because UT carries its 2,109,190.87-acres of west Texas endowment land on its books at only $5 per acre instead of the $200 or so an acre that each is really worth. More than that, UT carries the vast oil and natural gas reserves beneath that land at a big fat zero. Harvard and other prosperous schools list almost everything at market value.

Perhaps embarrassed by the presence of such riches during the state's current economic distress, UT officials won't release an official estimate of energy reserves. But FORBES conservatively puts them at more than 365 million barrels of oil, with a present value of at least $2.56 billion, and 1.5 billion mcf (thousand cubic feet) of natural gas, now worth a minimum $1.2 billion.

Throw in the cash, the stocks and bonds and the land—nearly three times the size of Rhode Island—and the total UT endowment tops $8 billion. It's a stupendous amount, which endowment experts say dwarfs any academic fund in the world.

"It's sure a lot, isn't it?" marvels UT System Executive Vice Chancellor for Asset Management Michael E. Patrick, an unpretentious 43-year-old former Superior Oil Co. treasurer who eats lunch at his Austin desk. He is quick to point out, though, that this endowment benefits 160,000 students, compared with Harvard's 17,000. "On a per-student basis, we're way down the list," he says.

Endowment size is not UT's only financial distinction. Consider payout. The total UT-managed endowment portfolio—$3.31 billion in the Permanent University Fund (PUF), of which Texas A&M University and Prairie View A&M University together get one-third, and $550 million in two funds that benefit the 14-campus UT system only—produced $250 million for operations and debt service during the last fiscal year. That's more than the total budget of many colleges. And it's more than $50 million above the payout from Har-

William Oberbeck

Michael E. Patrick, the University of Texas System's executive vice chancellor for asset management
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Slumping energy prices have cut the value of the energy reserves, first discovered in 1923 when the UT endowment portfolio was less than $1 million, but not cut the payout at all. That's because the state constitution requires that all energy revenues go into the portfolio for reinvestment. Each year's payout comes from investment income only.

And, clearly, UT has not been sitting on its investment duff. In the five years ended Aug. 30, 1986—the latest long-term figures available—UT reckons the Permanent University Fund posted an average yearly total return, excluding mineral income and gifts, of 20.2%.

That's above the 19.2% return of the Standard & Poor's 500, above Harvard's 17.8% and above all but 7 of 62 colleges with endowments larger than $100 million, as measured for a comparable period by the National Association of College and University Business Officers. With the stock market boom and the energy price bust, UT's investment income now exceeds oil-and-gas revenues, which peaked in 1981 at $262 million and are now down to $81 million.

UT's total return is even more impressive in light of investment restrictions set out—guess where?—in the state constitution. Besides government bonds, the PUF may invest only in companies listed on the New York and American stock exchanges, and only in those companies that have paid a dividend for five consecutive years. Additionally, the fund may invest no more than $28 million total in any one firm.

This means no foreign stocks (not even ADRs traded on the exchanges), no foreign bonds, no over-the-counter stocks (except for banks and insurance companies). No Apple Computer, no Chrysler Corp., no mortgages, no option-writing and certainly none of the venture capital action that lately has caught some larger schools' fancies. Patrick figures that only 1,200 of the country's 12,000 publicly traded companies qualify for possible UT investment. "We run a very plain-vanilla fund here," he says.

Still, Patrick would like to see these restrictions removed. "For the first 100 years they were probably a good thing," he allows. "It ensured that any mistake made would be a little one. But now the times are changing." And he may get his wish. A proposed constitutional amendment that lifts the restrictions passed virtually unnoticed during a hectic legislative special session last summer and will go to the voters in November 1988.

Certainly, the public is already getting its money's worth. Counting himself, Patrick has just 14 investment professionals on a staff of 135, including several who ride horseback to help manage grazing rights. His total operating budget, including oil leasing agents, is a mere $9 million. That works out to just 0.20% of the portfolio assets, a cut that would starve Wall Street mutual fund operators, who often charge five times more. Patrick, who is not a UT alumnus—he holds two degrees, including an M.B.A., from arch rival Harvard—receives $140,000 a year.

The Texas Constitution permits UT's Permanent University Fund to invest in only 10% of the nation's publicly traded companies.

About $500 million is managed by 13 outside consultants. The rest is done in-house by six managers who divide the responsibilities. A committee of the UT Board of Regents periodically reviews the policies.

The higher total returns have been obtained by switching from bonds to equities. Stocks—largely blue chips, led by IBM, Coca-Cola and Bristol-Myers—now account for 40% of its holdings, up from 35% just two years ago, although UT has been a net equity seller in the past year. UT trades very actively, each year turning over nearly half its stock portfolio.

Patrick says he nevertheless has a long-term orientation, although he constantly looks for industries about to bloom. "We caught a big movement in the food industry last year, and we also benefited from a rise in oil stocks," he says. Any blunders? Last year's purchase of Texas bank stock. "A black hole," he grimaces.

The two UT private endowments, which don't have the constitutional investment restrictions, have been purchasing oil and gas reserves at bargain prices. "We think that's a good long-term play," says Patrick.

Certainly the state has been humbled by its energy and real estate lending disasters. But when it comes to university funding, things are still bigger in Texas. ■

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McKinsey & Co. likes to compare itself with the Catholic Church and the U.S. Marines. Is its lofty attitude out of tune with the times?

"We don't learn from our clients, we learn from each other"

By John Merwin

When First Interstate Bancorp decided to make a bid for BankAmerica last year, it was people from McKinsey & Co.—not First Interstate—who did the calculations that unearthed up to $700 million in likely savings from the proposed merger.

Why McKinsey? Why didn't First Interstate Chairman Joseph Pinola have his own people do the job? Detractors will tell you that First Interstate merely needed an outsider to certify what its management knew in the first place. First Interstate wanted to prove that it could safely swallow a bank nearly twice its own size. So for a fee, McKinsey consultants came up with the proof. In this view, McKinsey isn't selling its customers advice, it is selling credibility—the much respected McKinsey seal of approval.

Illustrations by Chas. B. Slackman

Lee Iacocca sees McKinsey in an even more skeptical light. He wrote in his autobiography that when Henry Ford "was determined to get rid of me" he hired McKinsey to recommend a new management structure for Ford Motor Co. McKinsey did, and Iacocca left for Chrysler, where today he uses a consultant of his own choice, Bain & Co.

When General Motors Corp. decided in 1984 to reorganize its entire corporate management structure, the brass didn't stroll down to the shop floor asking for suggestions. Chairman Roger Smith dispatched McKinsey & Co. consultants to do the asking. The results of the GM reorganization so far have not been encouraging. Did McKinsey blow it? Or is the fault in the way management carried out the McKinsey plan?

No doubt there is a good deal of cover-my-behind in bringing in consultants, especially consultants with an almost legendary name like McKinsey. There is undeniably a placebo effect, too: If McKinsey says the medicine is correct, then it will certainly do us good. But you don't get the kind of reputation McKinsey has by providing alibis for temporizing managements or by making sick companies feel better. If McKinsey is a legend, it is a legend with considerable substance supporting it.

Says Richard L. Fischer, senior vice president of Alcoa, an inbred corporate giant that recently used McKinsey after a reorganization: "McKinsey provides perspective that is difficult to achieve from within."

Therapy and credibility. While there are many stated reasons for hiring McKinsey, beneath the rationales often lies a gut need to call on McKinsey's credibility as a disinterested third party. Look at why NBC News hired McKinsey earlier this year following GE's takeover of NBC's parent corporation, RCA.

Robert Wright, installed by GE as president of NBC, demanded that the news division cut costs. Couldn't news management itself have suggested the cuts? NBC News President Lawrence Grossman concedes to Forbes that if the news division acts alone in its cost-cutting studies, GE

Louis Psihoyos

McKinsey's spiritual leader Marvin Bower (left) and Managing Partner D. Ronald Daniel.

McKinsey has molded itself into a transnational firm that no longer sells "American" management expertise, but the expertise of McKinsey itself.

might view the resulting recommendations as self-serving. Grossman thinks McKinsey's involvement will add credibility to the analysis.

Disinterested, credible, the two words sum up the McKinsey mystique. In a time of unpredictable interest rates, deregulation, hostile takeovers and desperate restructurings, corporations need those qualities as never before. In recent years squads drawn from McKinsey's 1,300 consultants have been summoned by more than a third of America's 500 largest corporations. "We insinuate ourselves," says McKinsey Managing Partner D. Ronald Daniel, flashing a smile.

How has McKinsey done that so well? Not by peddling pop management formulas of the sort that wind up on business magazine covers and the *New York Times* bestseller list. No mantras here, no easy, pat formulas. McKinsey's forte is the analysis of hard, cold facts. In most cases clients could do that for themselves, but few do. They want the objectivity that McKinsey stands for.

Because of the depth and breadth of what they do, McKinsey people have an extremely broad-gauged view of what is going on in business. Name the trend and McKinsey teams of four or five consultants are out there involved in it one way or another, opining, on average, for $120,000 to $130,000 a month plus expenses.

Deregulation? Merrill Lynch and Citicorp hired McKinsey to tailor their organizations to the times and plot new marketing strategies.

Globalization? Japan's Nippon Life Insurance Co. and Sumitomo Bank wanted an equity foothold on Wall Street and engaged McKinsey before investing more than $1 billion. (Nippon in Shearson Lehman Brothers and Sumitomo in Goldman, Sachs & Co.)

McKinsey, with annual revenues running around $400 million, isn't the biggest consulting firm. Arthur Andersen tops it with around $840 million, but does so by concentrating more on smaller-scope projects such as systems management.

By contrast, McKinsey is the Big Picture consultant. While some consulting firms are hired by midlevel management to attack narrow problems, McKinsey almost always is hired by top management to plot a new strategy for an entire company or division.

Not surprisingly, hundreds of McKinsey alumni have by now climbed into the upper reaches of leading U.S. companies. Collectively, McKinsey alumni thus effectively help run many of the firms they once consulted for. Not surprisingly, too, they know whom to call when their company has a big-league problem to solve.

Look at PepsiCo, where 20 years ago McKinsey was merely an outside consultant. PepsiCo hired Andrall Pearson, the McKinsey partner in charge of PepsiCo's account. Pearson quickly became president of the company and continued recruiting McKinsey people. Today more than a dozen ex-McKinsey consultants fill top jobs at PepsiCo, including Michael Jordan, president of PepsiCo's $5.7 billion food and restaurant business.

Much the same is true at other leading companies, such as American Express, where President Louis Gerstner Jr. leads 15 McKinsey alumni, and at Citicorp, which has more than 20 former McKinsey workers in the ranks.

Outside the U.S. McKinsey is even stronger, a result of having launched its first overseas office—London—in 1959, a time when foreign companies were still thirsting for American management knowhow.

That management knowhow has lost much of its luster abroad, but McKinsey retains its shine. Why? Because over the years McKinsey has molded itself into a transnational firm that no longer sells "American" management expertise, but the expertise of McKinsey itself. The transformation began when McKinsey sent Hugh Parker, a Cambridge-educated American,

Bower himself set the example at McKinsey by starting to sell his large block of shares to younger partners.

McKinsey consultants think of themselves as secular Jesuits, gifted intellectuals uplifting the world of commerce with their vision.

to open its London office. Parker broke the ice by persuading the stodgy, conservative Britons that they might have something to learn about business from the colonials.

Building on that foothold, McKinsey continued dispatching Americans to open foreign offices, but it quickly staffed the offices with local hires. Gradually McKinsey's culture, both in the U.S. and abroad, blended until the entire operation became a single, organic world unto itself—the consulting equivalent of IBM.

Through the 1960s and 1970s McKinsey enlarged that London bridgehead, advancing across Europe on the shoulders of international giants like Royal Dutch/Shell. These clients encouraged McKinsey to open branch offices near their operations in France, Germany, Switzerland, Belgium, Italy, the Netherlands, Scandinavia and, later, Japan and Australia.

Today a majority of the firm's senior partners are no longer American, though many hold graduate degrees from the U.S. McKinsey's Tokyo office is run by Kenici Ohmae, a Japanese who holds a Ph.D. in nuclear engineering from MIT; its Chicago office is headed by Rajat Gupta, an Indian with a Harvard M.B.A.

Visible as McKinsey is in the corporate world, outsiders don't know much about how it operates. The firm rarely talks to the press about itself; client relationships being sacrosanct, one mustn't risk revealing something confidential about a client. Nor does McKinsey build personalities as so many other big firms in service industries do. McKinsey has no Jerry Della Femina, no Michael Milken, no John Gutfreund.

McKinsey discourages the development of stars because the firm is selling McKinsey, not the star. *In Search of Excellence* authors Tom Peters and Robert Waterman, who learned their trade at McKinsey, have since left. While their book's anecdotal format made it a bestseller, the simplistic formulas are in almost total contrast with McKinsey's own meticulous approach to data gathering and fact analysis.

The absence of stars from the McKinsey roster is by no means purely symbolic. The firm is run in a loose, collegial way. Daniel, the firm's managing partner, has limited clout over fellow partners. Basically, his power is that of persuasion and making appointments to the firm's standing committees.

An unusual arrangement, but it seems to work. From 6 offices in the late 1950s—5 in America and 1 in Europe—McKinsey has grown to 37 offices worldwide. It is privately owned by 270 partners, both senior and junior, and since McKinsey is not in a capital-intensive business, it distributes most of what otherwise would be profit among its partners, rather than retaining it in the business.

Daniel says the best gauge of McKinsey's success is how well it pays its people: handsomely but hardly ostentatiously by current business standards. Insiders say a recently elevated senior partner, with perhaps 12 years' tenure at McKinsey, is likely to draw $600,000 or so. Compensation for veteran senior partners ranges up to $1 million, and, in a few cases, even more.

Nice money, but with taxes and the high cost of living well—and lacking such perks as options on a publicly traded stock—it is hardly the kind of money from which great fortunes are made. To be truly rich by the extravagant standards of today, someone needs a nine-digit estate at a bare minimum, and to acquire such wealth it takes more than owning stock in a privately held consulting firm.

There thus must certainly have been a temptation to take the firm public, cashing in on its golden reputation to make existing partners rich. Instead, McKinsey has kept its ownership entirely in-house. Over the years owners of other consulting firms—Booz, Allen & Hamilton and Arthur D. Little among them—have cashed in by going public or selling out.

Why has McKinsey preserved

After the port and cigars, when students depart, McKinsey will begin considering the candidates.

Friendly good-byes are necessary in an organization where the odds against making it to senior partner are 11-to-1.

its almost monastic purity? In good part because the outfit maintains an air of having a mission beyond just making money. The aura is part of the mystique, indeed part of what creates the credibility. Go public? "Pure greed," snorts Marvin Bower, 84, McKinsey's former managing partner and principal architect of the firm, when asked about other service firms going public.

Bower himself set the example at McKinsey in 1956 by starting to sell his large block of shares to younger partners at book value. McKinsey partners still trade their shares at book, a mere fraction of what those same shares would draw if McKinsey went public.

Does this philosophy sound pretentious? Maybe so, but McKinsey people behave as if they believe it, and this contributes both to the morale and the mystique. Would the Vatican go public? The First Marine Division?

This sense of dedication is more than just show. Behind McKinsey's imposing mahogany doors on Manhattan's East 52nd Street are people who unabashedly think of themselves as secular versions of the Jesuits, gifted intellectuals uplifting the world of commerce with their vision. Newcomers quickly learn that McKinsey is not engaged in a "business" but a "profession." McKinsey does not work "for" clients, it works "with" them. McKinsey consultants do not go out on "jobs," they go out on "engagements."

Most emphatically of all, McKinsey insists that it does not "sell" itself. Yet the firm does work hard at placing its writings not only in trade magazines, but in high-profile business publications such as the *Harvard Business Review* and the *Wall Street Journal*. John Sawhill, deputy secretary of Energy under President Carter and now leader of McKinsey's client development committee, points out that such articles can be helpful because they "get passed around the in-basket of middle and top management."

McKinsey won't even itemize a monthly bill. "We're not selling time and answers, like law or accounting firms," says Daniel. "We're selling a benefit called change. Change is where the value is." Daniel says clients must "trust McKinsey" to set a fair fee.

McKinsey was founded in 1925 by a University of Chicago accounting professor, James O. McKinsey, a prolific writer of accounting and management texts, whose scrivenings brought him a steady stream of consulting assignments on the side.

Until World War II ended, McKinsey largely hired industrial managers in their 40s. Because of their age at least, such people seemed credible to clients. "But all that many of these industry men knew," recalls Everett Smith, a McKinsey senior partner from those days, "was what they'd learned in the nut and bolt factory. We were loaded with inadequate people who weren't going to take us where we wanted to go."

That was when Marvin Bower, a McKinsey veteran who ascended to managing partner in 1950, 13 years after James O. McKinsey's death, hit upon a dramatically successful notion: to recruit young men straight out of the nation's best business schools.

Bower, a Harvard Law School graduate who had spent his early years with a leading Ohio law firm, made the decision for a simple reason: He respected intelligence at least as much as he respected practical experience. His notion of how the consulting business should operate clashed with the prevailing view of the time that practical experience counted for more than education or intellect, but so what? "We had to have the intellect," recalls Bower. "Consulting is a thinking activity."

Yet credibility didn't come easily. Recalls Bower, "It took seven or eight years for clients to get used to our newly minted M.B.A.s. We had to gain stature for clients to accept the idea."

The notion has certainly taken root on campus. This autumn at Harvard and a handful of other top graduate schools of business, a carefully plotted McKinsey "intelligence gathering" operation is already under way. Step one is to study the school's first-year class "Prospectus," a publication briefly detailing student backgrounds, looking for prestigious undergraduate degrees, high grade-point averages and evidence of leadership.

Eventually about 10% of the 400 first-year Harvard candidates will be offered McKinsey summer jobs, which generally lead to full-time positions after graduation.

Beginning later this month, McKinsey will stage a series of small dinners for second-year Harvard students, about 20 at a time, seated at tables hosted by McKinsey recruiters. After the port and cigars, when the students depart, recruiters begin considering the candidates. Is this or that student a "high impact" person, the kind who could impress a 60-year-old corporate chieftain? Files on promising students will be opened in McKinsey's New York office, to ensure that come January, when formal campus interviews are scheduled, the best and brightest sign up.

Not many top M.B.A. students turn down a McKinsey offer, even though the last thing some may want is to spend their entire lives as consultants. In almost any large

Have overhead projector, will travel

Even the low-profile types who run McKinsey & Co. know that a little show biz can liven up the firm's client presentations. Thus McKinsey trains young consultants in what it calls "presentation techniques."

Figuring that McKinsey's advice on style might be helpful, FORBES asked the firm to share a few tips on how to use a visual presentation to impress clients. McKinsey declined: Discussing presentation techniques might leave the wrong impression that style, not substance, accounts for McKinsey's success.

Nonetheless, FORBES cribbed some of McKinsey's class notes. Herewith a viewer's guide—and review for McKinsey personnel—for the day when McKinsey sets up the overhead projector in your conference room.

1. The feet: Don't wander. The audience will wonder where you are going. Move only when you have somewhere to go, such as to the projector.

2. The hands: When standing, keep them out of your pockets. It looks too casual, especially when presenting bad news. When seated, keep your hands above the table. In presentations, as in poker, hands beneath the table look suspect.

3. The eyes: Eyes are the secret to effective crowd control: As you talk, hold the audience's attention by shifting your gaze from one listener to another. But don't linger too long on one person. He'll start to squirm.

4. Fielding questions: When a question arises, repeat it. This ensures you understand the question and it buys time to think of an answer. While you're thinking, don't stare off into space. The audience will figure you're trying to wing it.

5. Answering with authority: Show confidence by "stepping into the question." If standing, take one step toward the client, thrust out your hand and say, "Why yes, Mr. Jones. . . ." If seated, lean forward as you answer the questions. To discourage follow-ups from a persistent questioner, answer the question, and then quickly look away, resuming the presentation.

6. The projector: Don't stand at the projector when a slide is up. You'll block somebody's view. And the audience won't know whether to look at you or the slide. Don't use a pointer, either. You will surely play with it. The audience will imagine that you are Arturo Toscanini.

7. Timing with visuals: Flashing up a slide is like tossing out a punch line. Complete your introductory remarks, then show the slide. If the slide goes up too soon, no one will be listening to your remarks. They'll all be reading the slide.

8. Designing visuals: Use "message" titles. Don't just label a slide "Sales," but rather "Sales Are Moving Up." When using pie charts, make sure the most important slice of information is displayed from 12 o'clock to the right because the eye is accustomed to reading clockwise.

9. When in Rome, dress right: Choose clothes that blend in, not show authority. Talking to bankers? Wear Brooks Brothers. Third World audience? Suit up at Banana Republic. And dress simply. Don't give the audience anything to think about but what you're saying. A man who wears a tie bar, for instance, runs the risk that the audience will study the tie bar, then ponder his stomach. Advice to women: No long necklaces.—**J.M.**

corporation, a McKinsey pedigree clearly provides a competitive leg up for its holder, helping him avoid getting mired in what McKinsey's top recruiter, Alistair Hanna, calls "the corporate melee."

Explains Robert Damon, managing director in Smyth Dawson & Co., an executive recruiting firm that deals extensively with McKinsey alumni, "Let's say you come out of business school and go into a big company as a financial analyst. You're going to be stuck in the bowels of the company doing budgets, performance-against-plan and other menial stuff, not getting exposure to top management. But if you'd gone to McKinsey first, in most cases you'd come out ahead, landing a highly visible staff position."

Obviously, employees do leave McKinsey, lots of them. McKinsey works hard to see that they leave happy and

Guiding the flock

This month, for the first time in 11 years, McKinsey & Co. will choose a new leader. It will elect a managing partner to replace D. Ronald Daniel, 57, who is leaving office after 11 years to return to full-time consulting at the firm.

Though McKinsey's election process is already under way, handicapping the eventual winner is as difficult as laying odds when the College of Cardinals meets to elect a Pope. That's because there is no nominating committee nor any overt campaigning. "It would be very bad form to put yourself forward," says Daniel, "or to campaign, once nominated."

All voting will be secret. McKinsey's 104 senior partners will vote by coded telefaxes from their home offices scattered around the world. Faxed ballots will be tabulated by Arthur Andersen & Co., New York.

This year's election is likely to require several rounds of voting that may drag on for weeks, until one partner finally receives a majority. If history repeats, the winner will come from McKinsey's 21-man shareholders' committee, which currently includes partners from Japan, the U.S., the U.K., Switzerland, the Netherlands and West Germany. Thus there is the obvious chance that the firm will wind up being led by a non-American for the first time in its 62-year history.

Who will replace Ron Daniel?

What might McKinsey & Co.'s new leader be like? For a hint, look at Daniel. A Harvard M.B.A., he joined McKinsey in 1957. By 1968 Daniel was elected senior partner and directed McKinsey's college recruiting program. Two years later he became manager of McKinsey's largest office, New York City. In 1976, at 46, he was elected managing partner. Professionally, Ronald Daniel was mainstream McKinsey, a general consultant who through the years managed several long-term accounts.

Like Daniel, his successor in McKinsey's peculiarly collegial culture will more closely resemble a shepherd guiding a flock than a chief executive barking orders at subordinates. If the managing partner is too brusque with fellow partners, he will not be reelected. This was the case more than a decade ago with Daniel's predecessor, Alonzo MacDonald, who shortly thereafter left the firm and became Jimmy Carter's chief of staff in Washington.

Says Daniel, "This place is literally democratic. The managing partner serves with the consent of the governed. If partners don't trust him, he's dead. If they do, he can get away with a lot."—**J.M.**

with a helping hand. Such friendly good-byes are necessary for an organization where the odds against making it up to senior partner are 11-to-1, and where those who don't survive the several cuts along the way will be expected to leave.

The self-consciously cultivated image of the "McKinsey style"—an amalgam of the upright old family lawyer or doctor, dedicated to his trade, always stressing pride of workmanship—may seem a bit quaint today. But that is what they really believe, and it is a notion that hardly breeds humility. Asked about the high—and nonnegotiable—price of McKinsey services, Daniel says with a smile: "We are the high-cost producer." Meaning, one gets what one pays for. In the same vein, another McKinsey partner confided to FORBES: "We don't learn from clients. Their standards aren't high enough. We learn from other McKinsey partners."

Are these lofty attitudes blinding McKinsey people to the fact that the world may be passing them by? There is increasing demand for a more nuts-and-bolts kind of consulting than McKinsey provides: computer system configurations, design of factory automation systems, the sorts of staff functions that are more and more being farmed out as companies trim their staffs. By and large, McKinsey shuns this type of work. Counters Daniel, "The more specialized the world gets, the more determined we are to distinguish ourselves with an integrative, top management perspective."

Arrogance? Maybe, but their very self-confidence has a soothing effect on clients. If the McKinsey people don't think they are good, why should the client? And clearly the clients do think McKinsey is good. ■

OFFICE AUTOMATION AND DESKTOP COMPUTING

A White Paper to Management Prepared by International Data Corporation

In the not too distant future the number of electronic keyboards serving business will exceed the number of white-collar workers — and equal the number of business telephones.

Most of this device crush will come from shipments of personal computers — or personal computer-like things — but a significant amount will also come from shipments of terminals and workstations attached to larger systems. Graphics workstations, electronic publishing terminals, data base inquiry terminals, word processing terminals — office automation devices come in all sorts of sizes, shapes, and flavors.

At times office automation has been seen as the panacea for white-collar productivity ills — whatever white-collar productivity is — at others it's been called technology for technology's sake.

Certainly it has cost money. In its broadest sense — computing and business communications — the market in the U.S. soaks up about $300 billion a year in spending on equipment, line charges, programming, software packages, and operations staff.

Even in a narrow sense — simply personal computing, word processing, electronic publishing, and document transmission — the market pushes $25 billion a year.

But is all this money well spent?

Although pundits and gurus like to argue the point, the end users of the

technology wholeheartedly believe it is. What secretary working on a word processor would like to revert to typing on an IBM Selectric? What internal market analyst used to printing his or her reports on an electronic publishing system would like to go back to manual layout and paste-up? What salesman trained in the use of portable computers and electronic mail would want to go back to a double load of paperwork and endless rounds of telephone tag?

Indeed, studies commissioned by Honeywell Bull of U.S. knowledge workers overwhelmingly support the idea that office automation is a grass roots phenomenon. When asked what they'd spend $10,000 on if their companies gave it to them to increase productivity, 41% of the respondents said they'd buy a microcomputer, while 20% said they'd buy software or enhancement products for a computer they already had. Only 13% would add a staff member, only 10% would increase training.

The charts and cases that accompany this White Paper ratify this bottom-up support. They also illustrate not only the cost efficiencies that office automation brings — which is the primary cost justification — but also the strategic and competitive advantages it offers.

And therein lies the key to the *real*

motivation of the market — not to employ automation so people can work harder, but so they can work smarter.

Office Automation or Innovation?

There are those who still think implementing office automation means introducing word processing to the typing pool, but office automation has gone far beyond that. What's more, as the 1990s roll in with their new communications standards, incredibly powerful hardware, and full-scale computer literacy, office automation will be as remote from "power typing" as data processing today is from punch card processing.

Harbingers of futuristic applications can be found in the types of things that some companies are already doing:

- Virtually all major companies now use personal computers to communicate, one way or another, with larger systems. Between 1985 and 1986, according to one survey by International Data Corporation, the number of personal computers connected either to a mainframe or to a local area network grew from 38% to 65%.
- Personal computers have become the workstation of choice for many companies sending electronic mail to other companies or accessing public information data bases. What's more, personal computers are now capable of inputting to facsimile devices or acting as telex/TWX terminals.
- Pioneering users have begun to add video imaging to their information systems — employing optical disks, graphics workstations, and new control software to merge video images with text and data.
- Companies have begun to realize that voice communications systems also play an important part in office automation — and the sale of integrated voice/data terminals has begun to pick up. There are applications — in credit and collections, for instance — where telephone signals actually interface with computer files.
- Companies are using their information systems to exchange data and documents — everything from memos and price lists to orders and inventory status — electronically. Such intercompany information ex-

Integrated Information Systems: Key to Higher Profits

Once, computers did data processing, typewriters and people did word processing, and never the twain did meet. But today, any information system worth its salt is a multisite, multivendor, multiproduct, multifunction enterprise. This workstation connected to that computer via that data communications gear running these software packages and connected by this local network to those other workstations.

Take Metropolitan Life's Sales Office Network of Intelligent Computers (SONIC). The multimillion-dollar system ties together minicomputers, terminals, personal computers, and mainframes — of both IBM and Honeywell Bull make. The system provides both local office automation under Honeywell Bull's integrated office systems software and company-wide data base access and electronic mail.

The 1,200-site system is complex enough, in fact, that one of the reasons Honeywell Bull was chosen as the lead vendor was the fact that it had skills as a systems integrator. During the rollout process, each sales office system was assembled and tested first at Honeywell Bull.

Such careful attention to integration issues helped make the Met Life rollout a booming success. Soon after the first systems started going in, the company discovered its network was giving it a competitive edge. So it accelerated the company-wide deployment schedule by a whole year. Met Life gives a lot of credit to the system for the fact that during a period in which industry revenues from personal life insurance grew 10%, Met Life's grew 50%.

change tends not only to cut internal costs but to create a tighter bond between companies and their customers.

Computing Rejoins Office Automation

It should not surprise us that the personal computer has become the dominant force in office automation.

Think back. Only after 1954, when the first commercial computer was shipped to business, did the functions handled by computers get put into a preserve separate from the functions handled by office workers. The economies of scale were such that it made sense to pull out all routine, repetitive clerical functions from the office and send them downstairs to the newly built computer room.

But it was just 10 years later, in 1964, that IBM sowed the seeds of reunification by introducing the mag card typewriter and coining the phrase "word processing." Ten years after that Wang Labs and others added impetus by delivering the first display word processors.

Today, word processors descended from the prototypical clustered or standalone dedicated word processors of yore all handle routine computer processing tasks, and computers do word processing as a matter of course.

In fact, according to statistics from International Data Corporation, word processing is the primary application for 30% of the installed base of personal computers (by dollar), and a secondary application for at least as many more. Since personal computers are now the largest single submarket in the computer market, that penetration keeps increasing.

Connectivity and Integration

Now that so much processing power s available at the desktop — today's $5,000 high end personal computer

LOOMIS & BRUNSWICK, INC.

ComputerLand

The one thing to know about computers.®

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Macintosh make

It also changes the weather. Pinpoints trouble spots. Displays baseball scores. And just generally covers the planet daily.

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In fact, every U.S. newspaper with a circulation of over 500,000 has given the Macintosh™ personal computer a job in their newsrooms. Because they've found it's the most cost efficient way to create sophisticated graphics for fast-breaking news stories.

And share them electronically, and instantly, news desk to news desk, city to city.

All this may come as news to a lot of business people who thought Apple Desk-

With Apple Desktop Communications you can share graphics with other offices.

With Microsoft Excel, you can turn data into newsworthy graphics.

top Publishing was just a good way to save money on printed fliers.

With a Macintosh and a LaserWriter® printer, your company can design, assemble and print everything from technical manuals to major presentations to, yes, newspapers – at a fraction of what it used to cost.

In fact, you can afford to "publish" every document in your office, from internal memos to formal presentations. In hundreds of type styles and sizes. Handsomely illustrated with Macintosh graphics.

But there's more to Macintosh than looking good on paper. It can handle hundreds of other routine business tasks simply and professionally, with the most advanced business software available.

Tuesday, Decemb

3, H-P SHARES PROFITS
5, HIGH PLAINS OIL TARGETED
6, FARM BILL WEIGHED

BUSI

THE DE

BRIEFING

Currencies

Dollar edging up

Expectations of lower oil prices and low inflation sent the dollar higher Monday. Late exchange rates in New York, compared with Friday, in dollar equivalents, included:

British pound, $1.4595, was $1.4820

DENVER-LONDON NON-STO
Will it take off?

VIA SATELLITE

USA TODAY Money

FRIDAY, JANUARY 9, 1987

TODAY'S TIP-OFF

Don

This week's

of deposit, according

year, 6.11%; 2½-yea

TIMELINE

A LOOK AT EVENTS SHAPING THIS CENTURY'S STOCK MARKET

7 decades of the Dow: In good times and bad

Ups and downs in the Dow Jones industrial average reflect the life story of the USA itself. Here's a look at the Dow's winding path on the way to 2000:

Roaring '20s: A spectacular bull market pushed the Dow from 63.90 in August 1921 to close at exactly 300 on Dec. 31, 1928. The market kept rising in 1929, peaking at 381.17 on Sept. 3. Investors were far overextended. The bubble burst in October 1929. The Dow plunged 38.33 points — 12.8% — on Monday, Oct. 28. The next day, it fell 30.57 points, 11.7%.

The Depression years: Most of the losses stock market investors suffered in the Great Depression came in the early 1930s — not in 1929. President Hoover tried in vain to restore confidence by predicting that "prosperity is just around the corner." But on July 8, 1932, the Dow closed at its all-time low, 41.22, off 89.2% from the 1929 peak. Stocks made a valiant effort to recoup devastating losses even as the Depression deepened. Flirting with the 200 barrier in early 1937, the Dow then plunged again as the Depression reasserted itself. The Dow ended the 1930s stuck around 150.

HOOVER: Couldn't turn the corner.

Wartime recovery: Stocks weakened further in the early '40s. The day after the Dec. 7, 1941, bombing of Pearl Harbor, the Dow closed down 4 points at 112.52 and kept sliding, not to hit bottom until April 28, 1942, at 92.92. That day, price controls were imposed as the USA

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Since 1950, the D from 235.41 to Th gain was achieve

2,000
1,800
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Source: USA TODAY research

Lofty Do

By Jay McCormick
USA TODAY

How high is 2000?

That's the question many investors are asking in the wake of Wall Street's historic event Thursday

he financial page.

S

STOCK QUOTATIONS, 6-10
FUNERAL NOTICES,OBITUARIES 11
CLASSIFIED ADS, 12

Continental
DC 10-30

Manville will sell 3 operations

By Gail L. Pitts
Denver Post Business Writer

As part of a move to sell foreign interests, Manville Corp. said Monday that its Canadian subsidiary will sell three operations for about $28.6 million.

Manville Canada Inc. has reached an agreement with Toronto-based Canron Inc. for the sale of

APER

SECTION B

tions for business
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payers can use the
6, say accountants
f 21 cents a mile up
ile beyond that.

on bank certificates
-month, 5.88%; 1-
oney rates, 3B.)

MARTIN ZWEIG: Still 'moderately bullish,' he sees a correction before 3000

EXPERTS PEEK PAST MILESTONE

THEY SAID DOW WOULD REACH 2000. IT DID. SO WE ASKED, WHAT'S NEXT? PAGE 2B.

MONDAY

MONEY PLAN. COUPLE SAYS INCOME IS RISING 'SO FAST WE DON'T KNOW WHAT TO DO.'

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risen eight-fold,
ost of the Dow's
2 to the present.

2002.25
838.92
963.99
Dow close, year-end
70
80
Jan. 8, '87
Bull market

By Karren Lord USA TODAY

lown-to-earth roots

Dow

falling interest rates and low inflation since

er, the bulls say

Even at an average P-E of 17.4, "Institutional investors now think the USA

Including powerful spreadsheets with built-in business graphics and macros. Project management programs that help organize and manage the most complicated jobs. And data communications tools that allow Macintoshes to communicate with each other, IBM PCs, and mainframes.

With programs like Ready, Set, Go! 3 you can go into desktop publishing.

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Because every Macintosh program works the same way—with simple point-and-click commands and pull-down menus.

Which may be why a growing number of the FORTUNE 500 are turning to Macintosh for real productivity gains. In fact, in an in-depth analysis of seven Macintosh installations in large manufacturing companies, users all reported productivity gains of 25% or more.

So the next time you open up your newspaper, don't be too surprised if you see Macintosh on the financial page.

And—who knows—maybe even in the headlines.

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has the electronic brainpower of a 1970s mainframe costing in the seven figures — we've come to realize that neither word nor data processing truly constitutes office automation. We've learned that offices are not so much processing centers as they are internal communications hubs.

Connectivity is the first requirement — that devices that want to can talk to one another. This is accomplished routinely these days through the use of local area networks, through file sharing on clustered systems, and through telecommunications for connecting devices outside the immediate physical location. In its simplest form, telecommunications entails one device emulating a terminal of another device.

But connectivity isn't the endgame of communications. For hardware and software leverage to be really attained, integration must also take place.

In its highest incarnation, this integration takes place at the applications level — one word processing system editing documents created on a different system, or a spreadsheet program on a personal computer being dynamically refreshed with data from a mainframe data base program — and presents a seamless interface to the user.

Although such high-level integration is rare, it is increasing:

- Most vendors now support IBM's de facto document interchange (DISOSS) standards; some, in fact, do so better than some classes of IBM machines. In addition, most computer and office systems are capable of communicating with IBM mainframes in their own languages.
- The leading systems vendors are now beginning to offer support for multiple device types. Honeywell Bull, for instance, has working interfaces for connections between its small computers and its and others' PBXs that allow computer and telephone lines to share the same physical links. Honeywell Bull also offers a software product to enable users of Honeywell Bull, Wang, IBM PC and Digital Equipment computers to exchange documents in revisable form.
- Many vendors have pledged support for the international Open Systems Interconnection standards — an architectural model that, if implemented, would make it much easier for user programs to run on different vendors' machines.
- A niche market for integration and conversion software — packages that make incompatible office software work together — has appeared. Most of the major systems suppliers have already signed licensing agreements with the start-up companies plying the niche.
- Hardware and software vendors are beginning to offer increased support for universal operating systems — which makes programs transportable across device and vendor types. The most popular ones are MS/DOS (IBM PCs), Unix (mostly technical minicomputers), and the Pick operating system (multi-user business machines). Pick Systems, for instance, reports that its software now runs on close to 100,000 computers and on all size classes, from behemoth mainframes to personal computers.

Not all integration has to be

Personal Computers: Tenfold Growth in 10 Years

Source: International Data Corporation

There's an easy-to-use Kodak copier for every mid- and high-volume jobstream. And yes, they're very much like cameras.

A lot of Kodak's expertise in human engineering, optics and even film and electronic flash went into Kodak copiers. So it's easy to see why they're not only easy to use, but win awards for reliability, copy quality and overall customer satisfaction. Now there are Kodak copiers that deliver 50, 85 and 100 copies per minute, and they come with Kodak people to help you put the right copiers in the right places for maximum productivity.

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City _____ State _____ Zip _____

technological — some can integrate the familiar with the new. Adler-Royal's new VSP500 system merges a full-size electronic typewriter, an easy-to-use full-featured word processor, and an MS/DOS personal computer in one machine. As a word processor, the system has an interface familiar to all typists; as a personal computer it comes with a built-in printer.

This is one of the reasons that Dictaphone, a Pitney Bowes company, pays such attention to making its dictation and voice proccessing equipment easy to use. Switching from pencil and pad to electronic dictation, or getting into dictation in the first place, requires a change of work habits. Dictaphone sells the concept of dictation as a productivity tool as much as it sells hardware.

More Whizbang Technology

Ten years ago the main bottleneck foreseen for office automation was the reticence of highly paid white-collar workers to put hands to keyboards. It was widely predicted that executives would resist electronic aid. The fear was that individuals representing the majority portion of the one trillion dollar plus annual white-collar payroll would remain untouched by the benefits of office automation.

Hah. That argument disappeared in a cloud of dust once the IBM PC began stampeding into executive suites in 1982. There's just too much to be gained — in productivity, better information, status, whatever — for so many smart people *not* to use the available technology.

It helped, of course, that the hardware and software of those second generation personal computers — the first generation were the ones hobbyists put together — were sufficiently powerful that some real work could be done. The fact that personal computers could be immediately useful is one of the reasons Computerland, for instance, by offering access to the technology and trustworthy support for the products, could become a billion-dollar corporation in less than a decade.

Now, with the advent of computers, like the new IBM PS/2, the Apple Macintosh, and the Tandy 4000, based on new 32-bit microprocessors, the promise of tomorrow's technology seems even closer to hand. Part and parcel of these third generation desktop systems will be

- *Better graphics.* Screen resolution is moving up to designer standards; color is becoming more common (since it's getting cheaper), and applications programs are being developed to take advantage of the new technology
- *Better user interfaces.* Just five years ago the most common user prompt was the A>, with the "." running a close second — not very inviting to individuals expecting to be enlightened by their new information age tools. Today's systems come with multitudinous icons, graphics, menus, and power-user short cuts to make the computer much more friendly than it once was. The recent success of Apple Computer selling its Macintosh computer into the corporate environment will be followed by other implementations on the IBM PS/2.
- *Integral communications.* It's not a big deal anymore to plop an add-in modem into a desktop computer to give it communications capability. New boards — higher speeds, better error correction — are coming out all the time, and many computer suppliers now offer integral communications as a standard item. But the soft-

Local Networks Keep The London Stock Exchange Humming

On October 27, 1986, the "big bang" occurred in London. The U.K.'s stock exchange went computerized and deregulated at the same time. A decades-old tradition that kept market making separate from brokering went by the boards.

One of the reasons the exchange could switch from floor-based to electronic market making is because modern computer systems allow every player to have instant access to prices and transaction data, much in the way of this country's National Market System for over-the-counter stocks.

At the London Stock Exchange, this computerization has been accompanied by a boom in personal computers. Hundreds of them — many linked together or tied to mainframe computers by data communications equipment and local area networks made by AST Research — help keep track of the 6,000 stock issues traded by the exchange.

Where once personal computers were viewed by computer professionals as inimical to good organization-wide information processing — like the kind that must take place on a stock exchange — today they often are the workstation of choice in hierarchical, mainframe-based information systems. Local area networks, by providing intermachine linkages and interfaces to terminal networks, greatly facilitate ad hoc information flow between the computers on the desk and those in the data center.

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Engineers...

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you-see-is-what-you-get computer simulation, that bring printing house capabilities in-house.

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We document the world.

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ware is getting better, too. In its recent announcement of new products to celebrate the tenth anniversary of the TRS-80, Tandy also announced software to help users implement user group networking and to plug into Apple networks.

• *More memory, auxiliary storage, and output support.* Tomorrow's systems will operate anywhere from one to 10 MIPS (millions of instructions per second) — today's PC is just under one MIP — and support main memory well in excess of a megabyte. Meanwhile peripherals — from big screen graphics terminals to high quality dot matrix printers, laser printers, 35 mm slide makers, and high capacity disks — keep going up in capacity and coming down in price. The Star Micronics line of 24-pin dot matrix printers, for instance, can print at 300 characters per second (cps) in draft mode and 100 cps in letter-quality mode. Its model NB24-10, which prints at 72 cps in letter-quality mode, costs under $800.

Of course, not all bright and shiny new technology will belong to the personal computer. Other functional realms aren't immune.

PBX and key systems are getting spiffier. Siemens' Saturn IIE for small and medium businesses, for instance, can be outfitted with automatic call distribution software, voice mail, data communications, shared tenant administration, and high-speed digital

transmission (T-1) connections.

And office copiers like those made by Kodak and others, are getting more intelligent all the time. Meanwhile, vendors are exploring new ways to extend the copier and imaging technology. Kodak, for instance, not only has electronic publishing systems, but also equipment that helps in the design and fabrication — a photography-like process — of semiconductor chips.

Meanwhile, the copier giant itself, Xerox, has taken its technology and shaped it for use with information systems: its electronic document processing and high-speed printing systems for computer output are considered the state of the art. And Xerox has helped pioneer the setting of standards for electronic printing.

Managing in Tomorrow's Environment

Getting all this technology to work in concert for the corporation's common good is a task worthy, if not of the gods, then surely of a modern-day Hercules.

It can be done, but it can't be done under either old fashion office administration set-ups or under yesterday's batch-oriented data processing procedures.

While most companies have now merged their data processing and telecommunications departments, and given their MIS (management information systems) managers a modicum of control over the acquisition and deployment of office automation and desktop computing hardware and software, many are still struggling to figure out just what to automate.

The reason is that many of the high payoff applications are the ones that offer strategic or competitive advantage — which can be hard to justify quantitatively ahead of time. In the Metropolitan Life case illustration in this White Paper, the company links increased profitability with the deployment of a major sales office information network. But the payoffs didn't come from cutting down a measurable tonnage of paper; they came from making it easier for salesmen to do their jobs. And who can even say whether the technology made the work easier or the technology simply added to the salesmen's motivation?

"Companies are coming to realize," says Joseph E. Izzo, CEO of the JIA

The Workplace Goes Digital

The 1980s can be considered the Digital Decade, as both the workplace and the transmission plant went from analog to digital. Not only has unit growth of digital devices been phenomenal, but the number of device categories that can talk to one another has increased as well. PCs to fax units, PBXs to LANs, telex terminals to mainframes, and so on.

Source International Data Corporation

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And Dictaphone is a lot more than just products. Our people make a difference. From qualified sales representatives to customer support specialists who train you to make sure you use each product efficiently. Our reputation for product quality and customer care is unsurpassed.

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To learn more about Voice Processing systems from Dictaphone, call toll-free: **1-800-342-8439,** or write: Dictaphone Corp., 120 Old Post Road, Rye, N.Y. 10580-0648.

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In Touch with Tomorrow

TOSHIBA

Management Group in Santa Monica, CA, and author of *The Embattled Fortress,* a book about modern MIS management and strategies for improving information systems productivity, "that traditional information systems management techniques must give way to new ones. Not only must the systems integrate with other corporate processes, but the management structure must, as well."

Electronic Publishing: OA's New Look

Even when word processing represented the front lines of office automation, there was still a lot of manual labor left unautomated in the production of complex documents — like layout, art design and production, paste-up, and duplicating.

For a number of reasons, the idea of "womb-to-tomb" electronic document creation has come of age:

• New output devices, principally laser, ink-jet, or thermal transfer page printers, but also plotters and film recorders, are now at a price and durability threshold that makes them suitable substitutes for impact printers. Since these devices handle graphics as easily as they handle text — one less bottleneck to the production of compound documents remains.

• Graphics and document processing software — for art capture, page layout, drawing, and communications — has achieved critical mass. Enough exists that the main selection criteria is no longer finding a package to do the job but deciding which package to use.

• Success in electronic publishing on a larger scale — from newspapers or print shops that have automated to technical publishing groups at aerospace firms — has broken trail for bite-size achievement at the work group or individual level. "It's not a question of technology, or even desire, anymore," says Al Lucchese, president of Iris Graphics, a high-end graphics workstation supplier, "it's more a matter of orderly migration of the applications."

There is another driver as well. Call it "graphics literacy." It's been hard enough for a white-collar workforce to learn the rudiments of computing in a half dozen years. Now they must begin to learn the rudiments of designing and creating good graphics.

But they will. The laser printer has caught on faster than most analysts ever expected, and some of the hottest selling personal computer software packages today are those for desktop publishing. In addition, systems suppliers have fallen in behind the concept.

AST Research, for instance, which built a hundred-million dollar business selling add-in boards for IBM PCs,

An Operating System For All Seasons

Twenty-two years ago, when most computer operating systems were designed for a single manufacturer's computer family, Dick Pick developed one to be used on multiple hardware types. Back then it was a novel concept, an operating system for all seasons, but over the years the Pick operating system has grown in support. Today, it operates on almost three dozen hardware types and on over 80,000 computers worldwide.

What makes the Pick system particularly interesting these days is the fact that it runs on everything from personal computers to mainframes and the fact that it is designed for multi-user systems. With personal computer hardware getting more powerful all the time, many PC users are bumping up against the limits of the popular MS/DOS personal computer operating system, which was designed for single users.

Because of its design, the Pick operating system, sold and licensed by Pick Systems, can not only support multiple PC users, but it can allow multiple operating systems, like MS/DOS and Unix, to share the same machine. Data base management, system utilities, and programming and retrieval languages are integral parts of the operating system.

Although the Pick operating system ranks behind MS/DOS, Unix, and some vendor-specific systems in overall popularity, it has been well accepted in small- and medium-sized businesses that need small, multi-user systems. Over the years thousands of business application software packages have been written for it. (This is a major difference between Pick and Unix, AT&T's general-purpose operating system, which has more support in scientific realms.)

With 32-bit personal computers now being shipped by manufacturers, the demand for more powerful, business-oriented operating systems like the Pick operating system could increase dramatically.

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Of course, MS OS/2 may not be available for a while. Which is okay, if you have an AST Premium/286. Built into every system is AST's Enhanced Expanded Memory (EEMS), allowing EEMS software such as Windows™ 2.0 and DESQview™ to multitask existing applications... today.

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Benchmark Test Results
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CPU measures main processor performance relative to the 6-MHz (Model 099) IBM PC AT. Hard disk performance is tested for sequential and random data access.

SYSTEM (80286-BASED PCS) (Clock speed in MHz/No. of wait states)	**CPU**	**Hard Disk** (sequential)	**Hard Disk** (random)
AST Premium 286 (10/0)	***2.25***	***1.41***	***2.12***
IBM PC AT (6/1)	1.00	1.00	1.00
IBM PC XT-™286 (6/0)	1.32	1.33	1.03
IBM PC AT (8/1)	1.37	1.17	1.40
IBM PS/2 Model 50 (10/1)	1.71	1.70*	1.19*
IBM PS/2 Model 60 (10/1)	1.72	2.02	1.67

*With RAM cache: seq. 1.92, ran. 1.03
Source: InfoWorld Hardware Benchmark System, as published in InfoWorld May 11, 1987

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has branched out to desktop publishing in a big way. The company sells not only its TurboLaser printer, but whole systems, as well, with particular emphasis on desktop publishing and graphics-intensive personal computing, like computer-aided design.

When Hewlett-Packard recently introduced its powerful new Vectra portable personal computers, for instance, it came with a built-in color graphics high-resolution adapter.

The Communications Backbone

Studies by Xerox and others of exactly what it is that white-collar workers do reveal that only a small portion of their time is actually available for substitution by automated tasks. Phone calls, sales meetings, client presentations, impromptu "skull" sessions — none of these are particularly replaceable by anything a computer can do.

Perhaps because so many individuals have gotten tired of lost productivity through "telephone tag," there's been a surge in the market for alternatives. Facsimile devices, for in-

stance, are now shipping as they've never before — although the technology is over a hundred years old. New systems, like those made by Toshiba, can usually dial automatically, accept input from personal computers, and self-adjust for differing transmission speeds.

"There is definitely a trend among businesses toward selecting a telephone system that can act as a control center, linking such things as terminals, personal computers, facsimile machines, voice mail, call accounting systems, and printers," notes Paul Wexler, vice president and general manager of Toshiba's Telecommunications Systems Division.

ISDN: Communications for Tomorrow

Although the acronym, ISDN, stands for a tongue-twister — integrated services digital networks — the concept is simple. Vendors are fashioning a single set of telecommunications interfaces to allow voice and data devices to communicate to one another and share facilities. Think of it as desktop computers and telephones plugging into the same wall outlet for communications — and for two voice calls and some data traveling down the same wires now reserved for a single voice call.

ISDN won't be with us in force for a while — for that matter, the standards aren't even finished yet — but most major computer and telecommunications firms have begun paying more than lip service to it.

Once interconnections between, say, PBXs, computers, and telephone company data base systems, are as easy as plopping a board into a personal computer, though, the possibilities will get awesome.

At first ISDN will be used to cut telephone operating costs — new

Local Area Networks: Key Ingredient in Automation

The number of local area networks (LANs) shipped yearly is increasing at a brisk average annual rate of 35%, with fastest growth in factory LANs and slowest in traditional minicomputer-based LANs. The number of nodes per network is increasing even faster. By 1991, over 25% of available workstations shipped will be hooked into LANs.

Source: International Data Corporation

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Eric Sharbaugh,
Branch Sales Manager, Unisys.

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SYSTEMS & PERIPHERALS

Users say DPS 7 top syste

Survey shows Honeywell boosts overall satisfaction; Amdahl posts ga

BY JAMES CONNOLLY
CW STAFF

DELRAN, N.J. – Once the lowest ranking ven- dor in user satisfaction, Honeywell Bull, Inc. continued a climb to the top, where it joined Amdahl Corp. at the head of the list, in the 1987 Datapro Research Corp. report on main- frame user satisfaction.

Honeywell Bull's gains came from the strength of its DPS 7 small main- frame and took place four years after the com- pany sat at the bottom in overall satisfaction in 1983.

Five of the six ven- dors rated by users re- ceived higher overall satisfaction scores than they did in the 1986 sur- vey. The only company that saw its score slip was Unisys Corp., which scored better as Troughs Corp. in 1986 as the combination Troughs and Sperry this year. How- Unisys had the dis- of posting some est scores and the worst re- ticularly with

faction score of at least 3.2 on a four-point scale, at least 20 user re- sponses and no ratings lower than 2.8.

Datapro, a market re- search firm, said users rated 1,281 mainframes on questionnaires as part of the 14th annual Datapro user-satis- faction survey.

A five-year average of overall satisfaction scores showed Unisys on top at 3.239, followed by National Advanced Systems Corp. (NAS) at 3.205, Amdahl at 3.202, IBM at 3.169, Honey- well Bull at 3.14 and NCR Corp. at 3.077.

Datapro analyst Mari- lyn Courtney noted that the Honeywell Bull DPS7 scored better this year than it had in the past, climbing from a 3.3 overall satisfaction rating to 3.59 rating for the highest overall score among systems men- tioned by 20 or more users. The DPS 7 also scored well in ease of operation (3.59), re- liability of the mainfra

areas suchs as ease of operation (3.62), re- liability of the mainframe (3.72) and services such as maintenance, techni- cal support, education and documentation.

Amdahl also led the field in user recommen- dations; 97% of its users said they would re- commend Amdahl sys- tems to other users.

NAS finished second in that category and scored well in other areas but fell short of the 20- response minimum for special mention and finished last in overall satisfaction at 3.13.

Unisys systems and the corporation as a whole posted the high- est scores or tied for the highest in 17 catego- ries, with the high-end A 15 mainframe, used by eight respondents, lead- ing 10 of those catego- ries. On the negative side, Unisys had the lowest scores in 21 areas, with the nine

of the company's older systems: the 8500, 8600 and 8800. The NCR 9800, introduced last year, was not mentioned by users.

The poorly rated Unisys 1100/60 was the oldest single system, with an average life of 58 months.

Trend in buying pattern

Datapro detected as trend in the pattern of system acquisition; only 52% of the respondents said they own their com- puters, compared with 54% in 1986 and 56% in 1985. The number of users leasing systems from the manufacturer inched upward from 14% to 15%, while 32% of the users said they lease systems from third parties.

Courtney also re- ported that main mem- ories continued

frames increasing, wi 53% of the systems sup porting more than 60 local terminals and 46% supporting more than 60 remote terminals. Last year, 50% sup- ported 60 local termi- nals, and 45% supported 60 remote users.

Datapro also noted that users continued an alternating pattern in connection with their expansion plans for this year. Expansion to current hardware con- figurations, indicated by 63% of users, surpassed expansion of data com- munications facilities, named by 62%, to head the list for 1987 acquisitions.

Software growth stunted

Communications ex- pansion had moved ahead of

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Period.

And users gave our DPS 7 mid-range com-uter high marks for its ease of operation and eliability. They also praised its operating system, iCOS 7, that allows it to perform a wide range f functions, such as high-volume transaction rocessing, office applications, sophisticated etworking and communications, and program development. In short, they rated the DPS 7 the best system available.

Again, not second best or third best. *The* best.

For months now, we've been telling you that, to Honeywell Bull, customers are more important than computers. That means we don't develop technology for technology's sake. We develop reliable systems that solve problems. And we don't give lip service from 9 to 5. We give prompt service 24 hours a day, anywhere in the world.

Apparently, that philosophy has paid off. Because the same customers that we put first, have now put us *in* first.

Honeywell Bull

ustomers are more important than computers.

technology is almost always used as a direct cost replacement for the old. But then users and innovative vendors will discover ways of utilizing those interconnections — in new applications and service delivery — that we can't even foresee today.

Then the office will become even more than an internal communications hub — it will become an external one, as well. Relationships between customers, companies, and suppliers will change as barriers to communication become more permeable. Perhaps even new forms of organizations will evolve.

Executive Information Systems

Although it doesn't hold true across the board, generally the least automated "knowledge workers" in a company are its top executives. For what they need is not automation, but information.

Turning office automation systems into information systems is no easy task. Most information prepared in automated ways for top executives is culled from the information systems that support daily operations — like sales reporting or accounting systems.

Taking raw data from these intricate systems developed over the years (and often poorly documented) and providing it in ad hoc form is a non-trivial technical problem. Many of the building blocks are in place — from

new data base query languages to personal computer linkages to mainframes — but few, if any, companies have unified data structures. One division writes name and address differently from another, the personnel department's record on an employee looks radically different from the manufacturing manager's.

To date most successful implemented electronic information systems have two things in common:

- The chief executive was wholeheartedly behind the concept.
- Information was provided in structured electronic reports where personal computers were used to access "live" mainframe data.

Whether or not true executive information systems will be short or long in coming, rest assured that more and more executives will be using desktop (or portable, or mobile) computers on a convenience basis as the ease of use of the equipment and usefulness of the information increase.

For office automation is really a continuum of technology insertion into daily business. It started in antiquity when the typewriter was invented and will continue into that science fiction future when our personal electronic assistants are as easy to talk to as the worker down the hall. They may never go out with us for a beer after work, but they'll be important to us nonetheless.

It's amazing what a handful of silicon, a little mylar, and a trillion dollars of past investment and 40 years can accomplish.

OFFICE AUTOMATION & DESKTOP COMPUTING was prepared by International Data Corporation (IDC), Framingham, MA, which is solely responsible for its content, under the direction of Joseph L. Levy and John Gantz. Graphics: Gael Burns.

This White Paper to Management is part of a continuing series produced by IDC for FORBES. IDC is the information industry's largest market research and consulting firm, serving industry vendors, major users, and the financial community.

Automating Mobile Offices

Not all office automation solutions occur on a desktop. The advent of portable computers has permitted many companies to include outbound sales and service forces in their information processing networks.

Eaton Corporation's Truck Components Marketing Group is an example. The division sells and services axles, brakes, and transmissions to truck manufacturers. The 40 field personnel who service the division's six regions in the U.S. and Canada do so out of blue and white company vans. Tucked away in those vans are repair manuals, spare parts, and now the latest instrument for assuring quality service: a Tandy Model 100 portable computer.

The portable computers, implemented as a result of a divisional task force effort to reduce paperwork, come with built-in text software and communications interface and are augmented by portable disk drives and printers. Field personnel now file call reports and service records electronically.

The impact has been dramatic. Equipment failure information that took months to compile under the manual reporting system is now available in days. Electronic mail has drastically cut "telephone tag" time between field personnel trying to get in touch with each other to discuss common problems. And the division calculates that by cutting down paperwork, its force gets at least an extra day a week to spend with customers.

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Ed Crutchfield expanded First Union into the Gorilla of the Southeast until its stock dropped. Now he's bent on proving . . .

This gorilla can putt

By Jack Willoughby

REMEMBER THE JOKE about the golfing gorilla that made a miraculous shot from the tee to within inches of the pin? The ape's rival turns and gapes, "Can it putt, too?" Answers the trainer with a straight face, "As good as it can tee off."

Edward (Fast Eddie) Crutchfield, 46, chairman of Charlotte, N.C.'s First Union Corp., tells that joke often. It's his way of reassuring his stockholders and customers that First Union, the fastest-growing superregional bank in the Southeast, is skilled at every aspect of the banking game, not just muscling into the big time on the basis of brute strength.

Rising interest rates have ground down Crutchfield's expansion drive that took the bank from $7 billion to $25 billion in assets in only three years. Since last spring, when interest rates began to climb, First Union's stock has dropped nearly 25% in value, to a recent price of about $23 per share. That is slightly further, slightly faster, than any of its rivals—which is only fair, considering that the stock had earlier outpaced the competition heading in the other direction. Says the plain-spoken Crutchfield, a one-time bond trader who rose through First Union's ranks at a streaking pace to become, at age 32 in 1973, the youngest president in the bank's history, "The higher up the cherry tree the monkey climbs, the more people can see its rear end."

First Union got big fast in part by skillful and aggressive investing mainly in government-backed mortgage securities, or Ginny Maes. From 1984 to 1987, First Union's bond portfolio grew under Crutchfield's close scrutiny from $4 billion to $9 billion, even as the robust economy of North Carolina and the Southeast kept demand strong for bank lending of all sorts. That was particularly so for the kinds of widely dispersed small-business borrowers that Crutchfield most aggressively pursued. First Union's mortgage bank, the country's ninth largest, and its home equity loan portfolio of $700 million also added to earnings as offices sprouted all across the U.S.

As bank earnings rose and First Union's stock climbed higher, Crutchfield embarked on an expansion strategy of acquiring small, regional lenders, usually in stock-for-stock takeovers that minimized diluting First Union earnings. This in turn helped broaden the bank's geographical reach as well as lift First Union's assets.

Virtually overnight, by such means, First Union surged from being a third-ranked also-ran in the North Carolina market to a position of dominance throughout the region. Says Crutchfield: "We had money we could use to fund a much greater expansion than I ever dreamed of."

First Union's problem now is that dropping bond values have all but eliminated the big trading gains that had been rolling out of the bank's portfolio. The portfolio itself has shrunk to about $6.5 billion in assets currently. Profits for 1987 have been pared back as well, from $3 a share in the first quarter of 1987 to $2.65 a share in June. The reason: slower loan growth in the Southeast.

What is Crutchfield doing about all this? First he locked in his interest costs beginning last spring by shorting $3 billion worth of Eurodollar futures to protect against a sudden jump in the price of the purchased money that underlay the bank's investment portfolio.

Why not simply goose up earnings by accelerating the rate of loan production? That is one option Crutchfield is dead set against. As he sees it, in the fifth year of an economic expansion, now is the time for bankers to be cautious, not aggressive, in their lending policies. "We're in for a little white water," he says. "Why should I compound the risk I'm already taking on with interstate banking by adding credit risk to the mix?"

Thus, instead of lowering the credit quality of the assets in his portfolio by scrounging around for shakier and shakier borrowers in the slow-growth Southeast, Crutchfield is looking further afield to find better risks. Since January he has used the nationwide offices of First Union's mortgage bank subsidiary to raise almost $1 billion in new loans for the parent company's ledger.

Crutchfield has also been boosting income by the unusual device of selling servicing rights to the mortgage bank's $11 billion servicing portfolio. They don't call him Fast Eddie for nothing.

Such maneuvers have given First Union some breathing room, allowing Crutchfield to concentrate on improving the range of services, including insurance and trust accounts, that his bank offers customers largely through its 750-branch network. The plan is to carve minutes off data processing time as well as to standardize services to be sold through branches in South Carolina, Florida and, later, Georgia. Says Crutchfield, "We're going to be fine if we don't have a dime of profits in our bond portfolio."

Crutchfield will need all the profit he can get to help pay for the construction of a new headquarters in Atlanta. The facility is needed to help consolidate 17 of First Union's local Georgia banks into one larger institution with lower aggregate overhead. Yet until the consolidation is completed, First Union will in effect have to absorb more overhead than ever on its Georgia operations.

Agonizing over cost-cutting consolidations is hardly as glamorous as negotiating billion-dollar deals. But consolidating what First Union already has, while maintaining tight control on credit quality, is what the bank now needs. It's good that Crutchfield realizes that, and with his kind of energy and proven ability, there seems little doubt that here is one golfing gorilla who will still be around putting long after rivals have dragged themselves back to the clubhouse. ■

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Marketing

Edited by Jeffrey A. Trachtenberg

Nabisco owns some of the most famous names on supermarket shelves: Oreo, Fig Newtons, Honey Maid Graham Crackers. So why are its revenues sluggish?

Soggy cookie monster

A pre-1950 Oreo print ad
Simple, tasty, to the point.

HENRY STURSBERG runs the Deer Park Baking Co. in Hammonton, N.J. and makes what he thinks is a nifty new product—gumdrop-size chocolate chip cookies that come in two kinds of packages: a 1½-ounce, 35-cent snack pack; and a 99-cent, 7-ounce box that contains more than 500 cookie morsels. Not a bad idea, and since Stursberg used to work for Nabisco, he took it first to his former employer.

No sale. "Nabisco isn't open to new ideas," Stursberg says.

Stursberg has a point. Original ideas are unwelcome around Nabisco these days. The heart of its business is its 150-plus varieties of cookies and crackers. Nabisco's lineup dominates the nation's supermarket shelves with a 37% market share and such famous names as Oreo, Chips Ahoy!, Fig Newtons, Ritz Crackers, Premium Crackers and Triscuit Wafers. But the snap has gone out of this end of the food business. Tonnage shipped is up a limp 1% over a year ago. Nabisco's sales are down a smidgen from January through the end of July.

What's wrong?

Of 18 cookie and cracker products the company introduced in July, none is a new product—just knockoffs of other companies' offerings or variations of its own. *Adweek*, the industry trade magazine, recently graded consumer product companies and slapped Nabisco with a D for marketing because of its lack of creativity.

Six scenes from a new Nabisco TV commercial for Oreo Big Stuf
Is bigger better?

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Henry Stursberg of Deer Park Baking
"Nabisco isn't open to new ideas."

Nabisco products on a supermarket shelf
Where's the excitement?

The best Nabisco had to offer were two lines of crackers. One, American Classic, a cocktail cracker in cracked wheat, dairy butter, golden sesame and toasted poppy flavors, resembles products put out by Pepperidge Farms. The other is Quackers, a duck-shaped cracker that comes in plain, cheddar and sour cream and onion flavors, very much like Pepperidge Farms' Goldfish.

The rest of the "new product" line-up is old favorites, such as Oreo, Ritz Crackers, Fig Newtons, repackaged in different shapes or introduced in new flavors. Marketers call this growing by line extension.

Nabisco's line extensions of existing products include its new Snack-Alongs—single-serve portions of its familiar brands, like Fig Newtons, Oreo and Chips Ahoy!.

What's wrong with line extensions? If not done carefully, they can damage familiar brands. Miller High Life had been gaining market share in 1973 when it introduced Miller Lite. Today Miller High Life's share of the U.S. beer market has collapsed to 5.6%.

East Hanover, N.J.-based Nabisco may now control 37% of the U.S. cookie and cracker market. But it probably shouldn't expect to gain any more with just line extensions. It originally established its market share by inventing Oreo and Fig Newtons and Mystic Mints.

According to the Commerce Department, per capita consumption of cookies showed almost no increase from 1985 to 1986. The problem is that baby boomers apparently believe that ice cream is more nutritious than cookies—consumption of superpremium ice cream bars increased by well over 15% at supermarkets last year. Then, too, many store-bought cookies taste like the chemicals that are used to stabilize, emulsify and preserve them. Reading the ingredients on a cookie box is a pretty depressing exercise.

In the face of all this, Nabisco's marketing strategy involves more use of muscle than of brain. Nabisco, which has a huge and highly efficient delivery system, will set up the cookie and cracker sections for the market manager, parceling slots for its own products and its competitors' based on market-share data. Although on a smaller scale, the big candymakers, Mars and Hershey, have been doing it for years.

Diana Temple, an analyst for Salomon Brothers, expects Nabisco's pretax earnings to climb 10%, to $900 million, this year.

Skimping on new products certainly conserves cash. Creating and promoting a new cookie probably costs Nabisco at least $20 million. Introducing Fudge Covered Oreo requires a fraction of that amount.

Nabisco, in short, is evidencing every sign of management by accountants rather than by marketing people. Perhaps that is inevitable when a new acquirer like RJR feels the need to justify the price it paid for Nabisco. But it's hardly a promising long-term strategy.—**J.A.T.**

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The right choice.

Winos and bag ladies on the one hand, formidable Macy's on the other, why would any retailer want to invade New York's Herald Square?

Into the valley of death?

By Jerry Flint

HERALD SQUARE, where Broadway and Avenue of the Americas cross in the mid-30s, is a graveyard for big-name stores. Macy's has roused itself and become a smash, but Gimbels, Ohrbach's and Korvette's have all folded there in the last few years. A vertical mall called Herald Center, which opened in 1985 and offers such fancy retail names as Charles Jourdan and Escada, can't seem to attract customers.

The neighborhood is plagued with welfare hotels and with young thugs loosed on the public by permissive courts and permissive laws. In the midst of such degradation, Federated Department Stores' Abraham & Straus division is opening a $300 million, multilevel mall, situated on the site of the now-defunct Gimbels store between 33rd and 32nd Streets on Avenue of the Americas.

How can A&S succeed where so many others have failed? The strategy is to make the Manhattan store a bit more ritzy than a Brooklyn or Long Island A&S, but not as uptown as, say, Bloomingdale's or Bergdorf Goodman. "We aren't going to be selling $13,000 dresses, but we will have them at $400 to $500," says an A&S official. Lower-priced Perry Ellis and Calvin Klein, sure, but big-ticket Giorgio Armani or Anne Klein, probably not.

The challenge will come in fine-tuning a middle-of-the-road, but not dowdy, image while competing with the flash, vast selection and toughly competitive pricing of nearby Macy's.

The Manhattan invasion may be high-risk for A&S, but in truth it has no choice; it has nowhere else to grow. The chain's highest-volume store is its big, clean flagship, in the center of Fulton Street mall in downtown Brooklyn. And though Brooklyn itself seems a bit embarrassed by its new trendy status as a bedroom community for Manhattan's upwardly mobile, A&S has run out of locations there. Likewise on Long Island. It has foraged west and south, into New Jersey and Pennsylvania.

Thus, while it had $778 million in sales last year, A&S has run out of growing room. A&S wanted to move into Manhattan years ago, but Federated's Cincinnati headquarters vetoed the move, fearing A&S would compete with its Manhattan star, Bloomingdale's. "With hindsight, that was foolish," says a former A&S officer.

Worry about Macy's? A&S? Says Chaim Edelstein, A&S chairman: "On Long Island A&S stores run against Macy's in four malls and hold their own."

At first glance, Herald Square might seem risky, but there is no doubting its potential. Some 300,000 office workers are employed within a 15-minute walk of the site. The sidewalks teem at lunch hour. It is the crossing point for subway lines and a block from Penn Station and its commuter rail lines. Plans call for Indianapolis-based developer Simon Associates and two New York partners to rebuild the Gimbels store into an escalator mall, with A&S as the anchor. It will open next year, two floors below street level and four to six above for shopping and food, then several floors for offices and showrooms.

A gamble? Sure. But a gamble that has to be taken. ■

UPI/Bettmann Newsphotos

The Gimbels Department Store, circa 1946 (left), *and a rendering of the proposed A&S mall*
More ritzy than Brooklyn, less glitzy than Bergdorf.

Courtesy of The Asia Society. Photo: Otto E. Nelson

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Edited by Gary Slutsker

What happened to those "expert systems" that were supposed to transform the world of business forever? Expectations got way ahead of reality.

The morning after

By Ruth Simon

Peter Yates

General Motors repairman helps computer Charlie listen for vibrations
Visions of computers that would run factories and design products.

EVERY WORKING DAY for more than 20 years, ace manufacturing engineer Charlie Amble would drive the short commute from his Michigan home to General Motors' Saginaw plant. Once there, he would put down his lunch pail and pick up a headset. Attaching a series of sensors to lathes and grinders, Charlie would proceed to spend the day listening for vibrations that told him how well GM's machine tools were building axles and steering gears for its cars and trucks.

In 1986 Charlie Amble retired. General Motors replaced him with a computer that could "listen." So far, that device, dubbed "Charlie" in honor of the human it replaced, represents one of the automaker's few successful forays into the world of artificial intelligence.

Computer Charlie has been a relative success. But where GM has tried to use artificial intelligence to build huge, so-called expert systems, the company has come a cropper. So have most other big companies.

Expert systems, the most widely used commercial application of artificial intelligence, use inferential reasoning to draw conclusions from a huge knowledge base. But, basically, all companies involved in the development of expert systems have encountered one aspect or another of the same fundamental problem: how to mimic, electronically, creative qualities such as learning, invention, intuition or common sense.

Thus, Security Pacific Corp.'s attempts to build an expert system for foreign exchange trading have been stymied by the need to get the machine to evaluate qualitative information with emotional content, such as news stories. Is Paul Volcker replaced as head of the Fed? Do Iranian fanatics attack a U.S. Navy ship in the Persian Gulf? What these things mean to relative prices of dollars and yen differs according to circumstances so complex that no computer can be programmed to handle them. Computer Charlie's listening for vibrations is an infinitely simpler task.

Even seemingly trivial problems can foul up expert systems. Early field tests of a system designed to free Ford Motor Co. credit analysts from approving routine car loans flopped for lack of "common sense." Without human experience, the system had no reason to question an application from a 20-year-old who claimed ten years of work experience.

Another potential problem is the limited knowledge of an expert sys-

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Overblown expectations

Expert systems software suppliers went public capitalizing on overheated investor expectations, which turned out to be impossible to deliver anytime soon. Now, industrywide losses have kept share prices of these publicly held firms at or below their initial offering prices.

Company	Went public	Initial offering price per share	Current price	Revenues ($thousands)	Net income ($thousands)
Transform Logic	9/83	$0.87	$0.87	$6,630	$–250*
ExperTelligence	11/83	0.10	0.02	850	–306†
IntelliCorp	12/83	6.00	5.62	20,352	–3,987
Symbolics	11/84	6.00	3.87	103,787	–25,544
Teknowledge	3/86	13.00	12.50	20,459	–2,822

*Fiscal year 1986. Fiscal year 1987 ends Oct. 31, 1987. †Fiscal year 1986. Fiscal year 1987 ends Sept. 30, 1987

Science & Technology

tem. Concedes Stanford Professor Edward Feigenbaum, an artificial intelligence pioneer: "When you reach the edge of its expertise it falls off from very good to very bad."

Only a couple of years ago, seduced by visions of companies developing computer systems to run entire factories or to design whole new product lines automatically, investors poured $440 million into startup companies like ExperTelligence and IntelliCorp. Yet since then barely 100 major expert systems have been installed nationwide, mostly to handle such mundane tasks as production scheduling and equipment diagnosis. Meanwhile, the stocks of those once high-flying startups now trade at or below their initial offering prices *(see table)*.

For some venture capitalists, the words artificial intelligence have become a kind of curse. "A lot of investors learned about expert systems the hard way," says Thomas Farb, managing director of Lincoln, Mass.' AI Fund, a venture capital firm. In an effort to rub out all trace of its roots in artificial intelligence, one Waltham, Mass. firm, Natural Intelligence Corp., has lately even gone so far as to change its name to the vague moniker Event Technologies, Inc.

Successes for the infant industry have been few—and costs are high. Digital Equipment Corp. now spends $2 million yearly just to update a database of 10,000 logical rules used by its XCON expert system to help the firm's salesmen configure computer systems for various client applications. A moderate-size expert system, which would comprise maybe 300 rules, typically runs $250,000 to $500,000 just to design.

Lee Hecht of Teknowledge
"We didn't have a commercial product."

This spells bad news for the 100 or so firms that make up the expert systems industry. Sales of expert systems account for only a fraction of the revenues of giants like Xerox and Texas Instruments, but are vital to the survival of startups like Aion of Palo Alto, Calif., or Gold Hill Computers of Cambridge, Mass.

Blood is turning up on more and more income statements. The two leading expert systems software producers, Teknowledge and IntelliCorp, reported losses of $2.8 million and $4 million in the fiscal year ending June 30. A $25.5 million loss forced Symbolics, a manufacturer of artificial intelligence computers, to chop 17% of its employees and move from fancy new digs back into its original cramped Cambridge, Mass. headquarters. Meanwhile, Symbolics' arch-competitor Lisp Machines Inc. no sooner filed for Chapter 11 protection than the hardware manufacturer was acquired in June by a Canadian computer distributor.

"The expectations were Buck Rogers-like," confesses Lee Hecht, chairman of Teknowledge, one of the early expert systems pioneers, founded by 18 Stanford researchers. But once in business, the firm confronted a problem. "We didn't have a commercial product," says Hecht, who joined the company in October 1981, becoming the third chief executive in as many months.

What did Teknowledge do? As with many other companies in the same situation, its strategy has been to market the software needed to write artificial intelligence programs—sort of computer do-it-yourself kits for industry. The tool kits have not sold well. For one thing, they are both ex-

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pensive and difficult to use. Most of the early programs were written in Lisp, a specialized computer language well suited to developing expert systems, but so extraordinarily complex as to require special computers and software interfaces to link up with a customer's existing computer system.

Jerry Peterson, Ford Motor's director of corporate systems development, complains: "The industry hasn't given us a way to develop and deploy these systems in a conventional data processing environment."

Harry Reinstein spent 22 years working in product development at IBM before founding Aion Corp., an expert systems software vendor based in Palo Alto, Calif. He reminds himself and his competitors: "A large segment of the commercial marketplace just doesn't want technology, it wants solutions."

Abandon hope? Not necessarily. While most of the industry is struggling, a few companies have spotted opportunities. Reinstein's three-year-old Aion, for example, develops non-Lisp software specifically for IBM computers instead of Lisp-based machines. Likewise, Gold Hill Computers became profitable in August by selling Lisp software for personal computers.

The challenge for the industry now is thus to stop dreaming of the ultimate payoff from artificial intelligence and start looking around for more such opportunities closer to home. When AT&T Bell Laboratories came up with an expert system for identifying chronic cable problems, the company sensed that it was onto something marketable, and has since sold the system to five regional Bell operating companies. Capitalizing on opportunities like that is where artifical intelligence's future really lies. ■

Stanford's Professor Edward Feigenbaum
Can a computer respond emotionally when a U.S. ship is attacked?

Gold Hill Computers founder Carl Wolf
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Personal Affairs

Edited by William G. Flanagan

Since 1982 five "first-class only" airlines have ditched. But the newest one, MGM Grand Air, has an ace: competitive fares.

The little luxury airline that might

By Ellen Paris

THERE SIMPLY HAS to be a market for a luxury airline flying between New York and Los Angeles carrying all those heavy corporate and Hollywood types, right? Well, over the last five years several such airlines have failed. But here comes Kirk Kerkorian with a different idea: deluxe service with fares comparable to first-class tickets on other commercial airlines ($818 each way, the same as American, TWA or United).

You get no mileage credits, and your choice of flights is very restricted. But once airborne on MGM, you'll find skies that have seldom been friendlier.

FORBES sampled MGM's new service on a recent Sunday evening (there are two flights daily each way between JFK and LAX, and one on Saturday). Flight number 500 flying to Los Angeles, scheduled to leave at 7 p.m., was almost full—31 passengers, among them actor Walter Matthau and spouse, producer/director Alan Pakula and jockey Laffit Pincay. Only two seats were empty. MGM Grand says it needs to fill 22 seats in order to break even.

At LAX, MGM Grand has its own private terminal, at the Imperial terminal about a mile from the main airport. At JFK, MGM has a private terminal area (in the Northwest terminal) with a comfortable lounge, similar to the Red Carpet, Ambassador and Admirals clubs.

Christopher Little

Bar area on MGM Grand Air's refurbished 727
For 33 passengers, six flight attendants.

You know you're in for a different kind of flight immediately upon boarding. Three female flight attendants greeted us, along with two male attendants—all dressed in tuxedos.

The main cabin of the refurbished Boeing 727-100, done in mauve and maroon, is a sleek lounge with oversized leather-and-velvet-covered armchairs grouped around cocktail tables. Farther back is a long bar where bottles of Moët Chandon Brut Imperial sit chilling in silver buckets. The plane's aft section consists of four partitioned compartments, each with four midnight-blue velvet seats. These easily convert into comfortable sleeping or meeting areas. (When making reservations you may request any seats you want.)

When dinner was served, tables were brought in and set with crisp linen, silver, crystal and red roses. There was a choice of three entrées—prime rib, shrimp scampi or veal—served on Royal Worcester bone china. Servers hovered, refilling water and wine glasses unbidden. On this flight a 1985 Kendall-Jackson Chardonnay, 1983 Far Niente Cabernet Sauvignon and a 1985 Georges Duboeuf Beaujolais were served.

Even the washrooms are designed to impress. They are done in black and white marble, and the commodes are covered with padded leather.

Of course, not everything worked right. Even though drink orders were taken upon boarding, we were not served until we were 20 minutes in the air. The flight was delayed 40 minutes before taking off (a typical Sunday night jam-up at JFK), and during most of that stretch we were left thirsty and unattended to. We were not even offered magazines or newspapers for at least half an hour.

Some passengers began to grumble soon after the plane was airborne. "My seat slid forward on takeoff, and the service is lousy," complained Fred Duckett, a Los Angeles businessman and racehorse owner. He quieted down after his "long overdue" Scotch, fetched by a friend from the bar, finally arrived.

Duckett, who was on his way back from watching one of his horses, Nostalgia Star, run at Belmont, was traveling with his son, Peter, an actor, jockey Pincay and Pincay's agent, Tony Matos. But once the hors d'oeuvres of smoked salmon and beluga caviar on toast points were served, all agreed that things were "definitely getting better." By the time we arrived in Los Angeles, the Duckett par-

ty was comparing the MGM Grand flight with the Orient Express and an "extended dinner at 21."

Laffit Pincay, who spends a lot of time flying to and from tracks, was quite happy: "I liked the privacy, the food was good, and I would do it again." For the Matthaus, this was already a repeat trip, though the carrier had been in service only 12 days.

Kerkorian will need more than entertainers and jockeys as passengers, of course. The target audience is full-fare first-class travelers disappointed with the service and availability of seats on other commercial airlines—especially since frequent flier programs have resulted in fully booked first-class sections.

One passenger, the president of a southern California-based video company and a frequent cross-country traveler, is just the kind of passenger Kerkorian needs. He was going home to Los Angeles with two other officers of his company. "We decided, why not give it a try for the same money?" he said. On landing, the three executives agreed they would certainly repeat if the flight times fit with their schedules.

Christopher Little

Lounge area and compartments on MGM Grand Air
At meal time, linen-covered tables.

If MGM Grand Air conjures memories of ill-fated Regent Air, which plied the same route with similar service but at much higher prices from 1983 to 1986, it's no accident. Kerkorian, who has already put $20 million in startup money into the operation and promises more, has benefited from Regent's mistakes. Not only are its fares cheaper than Regent's initially were (about $1,500 each way), but you can book MGM with ease. MGM is participating in the major automated reservation systems, so most travel agents can ticket you on MGM. Also, MGM Grand plans to use its 890 cubic feet of cargo capacity for more than Vuitton and Gucci luggage. It's looking to small packages and courier service items to fill some space.

And Kerkorian is copying what was right about Regent. MGM Grand Air's chairman and chief executive is General F. Michael Rogers (FORBES, *Feb. 14, 1983*), who was also Regent's president. Even MGM's planes came from Regent: Kerkorian spent $15 million for three specially designed Boeing 727-100s. (Two will be in regular scheduled service, and the third will be used as a backup or for charter.)

Whether MGM Grand Air will succeed depends largely on whether Kerkorian can hold his fares at the same level as the major carriers. That won't be easy. ■

Classics revisited

Like well-rooted ivy clinging to a brick wall, the notion that the classics still compose the world's most worthwhile reading stubbornly survives—not only in pockets of academia but also in the executive suite.

The Aspen Institute for Humanistic Studies, founded by philosopher Mortimer Adler, among others, attracts leaders from all walks of society to weeklong seminars based on readings in the classics. Participants have included the likes of CIA Director William Webster; Peter Thigpen, president of the Jeans Co., a division of Levi Strauss; George L. Bunting, chairman of Noxell; Caroline Rose Hunt, of Rosewood Corp.; and Thornton Bradshaw, ex-chairman of RCA.

The Great Books Foundation, a nonprofit group in Chicago founded in 1947, now has over 750,000 adults and schoolchildren enrolled in its Great Books seminars, conducted in schools, libraries and workplaces across the country. Many attendees are from the world of business.

And there is at least one U.S. college at which the classics form the entire curriculum—and the school, which dates back to 1696, is thriving. Venerable St. John's College in Annapolis, Md. and Santa Fe, N.M. has offered its Great Books program since 1937, though it didn't really catch on until the late 1940s and early 1950s.

"The classics give you a broader perspective on life—and a broader picture of business. This can only improve the quality of a businessman's judgment," insists Stanley Goldstein, former managing partner of Goldstein, Golub, Kessler & Co., a New York accounting firm. Now he spends half his time leading Great Books discussion groups.

St. John's College, Annapolis, Md.
The curriculum—the classics.

Perspective, yes. But don't look to the classics for simple aphoristic answers to modern problems, cautions Peter Neary of the Aspen Institute. "That," Neary says, "trivializes both the current problems and the classics." Instead, Neary suggests a three-step approach to reading the classics: Read the work carefully, reflecting on what is being said and the author's point of view; reflect on your own personal values and on the questions raised or implied by the reading; once you have taken the time to reflect upon the work, then and only then draw connections among it, your own thinking and a specific problem.

But to learn from the classics, one must talk about them, too. "The book changes shape as you discuss it," stresses seminar leader Goldstein.

Where to start? With advice from the Great Books Foundation, the Aspen Institute and members of the St. John's faculty, FORBES has assembled a list of easily accessible readings, in three categories. Most of these texts can be bought in any well-stocked bookstore or by writing to the St. John's College Bookstore, P.O. Box 1671, Annapolis, Md. 21404.

• On capitalism and property. The classical authors, however varied their notions, all held one essential point in common: What you own you

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Why long before automakers saw the marketing appeal of the "aero-look," Saab engineers recognized the value of an aerodynamic body and designed the first Saab accordingly.

And why instead of resorting to the automotive world's way of increasing power, (bigger, heavier engines), Saab engineers were among the first to employ a turbochar a standard production car and pioneers in the development of valve cylinder head technology

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ırliest proponents of front-drive. (In fact, Saab has never d anything but.) Saab was also the first to combine a hatch-ody design with a fold-down eat to dramatically increase its capacity. And a leader in the pment of collapsible, energy-ing steering columns and iagonal braking systems among other things.

And the free exchange of ideas among all the divisions of this aerospace, automotive, heavy vehicle and electronics group known as Saab-Scania continues to this day with work in the development of new, lighter and stronger materials and more sophisticated electronics.

But to experience this technology in a far more moving fashion, we'd suggest you visit your nearest Saab dealer. Where the entire 1988 model line (minus the supersonic Saab JA-37 Viggen, of course) awaits your inspection.

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must use. These readings discuss the origins of our ideas of property and labor and their role in a just and well-ordered society.

Plutarch, *Lives of the Noble Greeks and Romans* (the Lives of Lycurgus and Solon); Plato, *The Republic* (Books 2 to 5); Aristotle, *Politics* (Book I, Chapters 8-13); John Locke, *Second Treatise of Civil Government* (Chapter 5); Jean Jacques Rousseau, *Second Discourse on the Origins of Inequality* and *The Social Contract* (Chapter 9); Karl Marx, "Estranged Labor" essay from *The Economic and Philosophical Manuscripts of 1844;* Adam Smith, *The Wealth of Nations* (Book I, Chapter 1; Book II, Introduction; Book IV, Chapter 2).

• On the individual and authority. Since the beginning of civilization, mankind has submitted to the authority of others for the greater good. But what defines this greater good? And what can be done when the greater good appears unjust? These works explore the relation between the individual and the authority of the community and the consequences and obligations of rebellion.

Sophocles, *Antigone;* Aeschylus, *Prometheus Bound;* Plato, *Crito* and *Apology;* William Shakespeare, *The Merchant of Venice, Henry IV, Parts I and II;* Leo Tolstoy, *Master and Man;* Dostoyevski, *Notes from Underground;* Henry Thoreau, *Civil Disobedience;* Henrik Ibsen, *Hedda Gabler;* Franz Kafka, *Metamorphosis.*

• On leadership. What are the privileges and obligations of power? How does one manage with both authority and respect? This subject hits business people right where they live.

Homer, *The Iliad;* Heraclitus, *Fragments;* Thucydides, *The Peloponnesian War;* Plutarch, *Lives of the Noble Greeks and Romans* (Pericles and Cleon); Julius Caesar, *The Conquest of Gaul;* Marcus Aurelius, *Meditations;* Niccolò Machiavelli, *The Prince;* William Shakespeare, *Hamlet, King Lear, Macbeth;* Herman Melville, *Billy Budd, Foretopman;* G.B. Shaw, *Caesar and Cleopatra.*

Interested? Contact the Great Books Foundation, 40 East Huron Street, Chicago, Ill. 60611, 800-222-5870, for information on its seminars; The Aspen Institute for Humanistic Studies, P.O. Box 222, Queenstown, Md. 21658, 301-827-7168; St. John's College, P.O. Box 1671, Annapolis, Md. 21404, 301-263-2371.

And while you are ordering books, include *The Closing of the American Mind* by Professor Allan Bloom of the University of Chicago. The title is oxymoronic—if Americans have closed minds, the book would not be the bestseller it is. At one point Bloom observes: "The liberally educated person is one who is able to resist the easy and preferred answers, not because he is obstinate, but because he knows others worthy of consideration."—**Peter S. Green**

Peter S. Green is a 1984 graduate of St. John's College

The silver lining in Houston

Brae-Burn Country Club, one of Houston's most exclusive, and only 25 minutes from downtown, has chopped its upfront membership fee from $15,000 to $8,000. The one-year waiting list is history. Says Manager Robert W. Kreidler: "The oil crunch hit, and we were losing members."

It's that way all over Houston as America's energy capital tries to cope with $20-a-barrel oil. Tens of thousands of jobs have disappeared, damaging the local economy. But there are still plenty of professionals and executives moving into town, many of them transferees of big corporations. The 3,000-plus families with annual incomes over $50,000 who relocate to Houston each year are finding, to their delight, a living-cost time warp.

"It was a pleasant shock," says Mike Hanley, a Shell Oil Co. manager who was transferred earlier this year from the San Francisco area. He sold a 2,800-square-foot house for $400,000. He bought one in Houston that was brand new, cheaper—and more than 50% bigger.

The American Chamber of Commerce Researchers Association figures that Houston's average cost of living for middle managers beats that of Boston by a third, New York by a quarter, Philadelphia by a sixth, Los Angeles by a seventh and Atlanta by a ninth.

Consider prices on a 2,000-square-foot, 3-bedroom, 2-bath home. In the exclusive River Oaks section, such a house, which once fetched $500,000, is now available for $350,000. In the Tanglewood area—former habitat of Vice President George Bush—it goes for $285,000. In West University Place, a popular enclave for young families, it's $165,000. Strapped newcomers willing to commute 25 miles to the city will find the same kind of home available for as little as $75,000 in the so-called FM 1960 area northwest of downtown.

Roomy apartments can be rented for about the same as a garage parking spot on New York's Upper East Side. A two-bedroom apartment in the funky Montrose neighborhood (8 minutes from downtown) starts at $285 a month. A 1,200-square-foot unit in a luxury high rise can go for $1,000.

Want a beach house? On Galveston Island, only an hour away by car, a 1,400-square-foot home in the pleasant Spanish Grant area, 150 feet off the Gulf of Mexico beach, sells for $125,000. A two-bedroom beachfront condo can be had for $80,000.

Kids nearing college age? Yearly tuition, fees and room and board at the University of Texas at Austin, breeding ground for many of the state's leaders, is just $4,670 for in-staters. Rice University, the state's best private university, is $9,140 annually.

You'll find bargain rates on health clubs (the downtown Texas Club has cut its one-time family membership from over $2,000 to just $800); entertainment ($6 for the Houston Symphony, $9.50 for the acclaimed Houston Grand Opera, $10 for the best Astrodome seat for the Astros); and restaurant dining (dinner for four at Tony's, the hottest place in town, typically runs less than $200).

You'll get prompt attention on a host of services. It takes about 22 minutes, including the taking and grading of a written test, to obtain a Texas driver's license. Fifteen minutes to register your car. No more than a week for new-suit alterations at the Brooks

Robb Kendrick

Home recently sold in River Oaks
$500,000 marked down to $375,000.

The secret of Partagas brings back memories of Havana.

A generation ago, Havana was the citadel of cigars.

But once the Castro regime confiscated their cigar companies, the great Cuban cigar-makers disappeared like a vanished breed.

One of those men, Ramon Cifuentes, was determined to pursue his craft only if he could create the environment in which he and his father had made Partagas Cigars in Havana.

He did not have to travel far, for it is in the Dominican tobacco center of Santiago that Ramon Cifuentes and his artisans have continued the uncompromising Partagas tradition.

Their secret is in the leaves and in the time it takes to cure, age, blend, bunch, mold, roll and wrap each cigar by hand. And almost three years after the leaves are harvested, each finished cigar is still not a Partagas until, like a fine wine aging in a cask of oak, it is fully aged in a room of Spanish cedar.

To fully appreciate this painstaking art, simply reward your senses with a Partagas. To touch its silken wrapper, to taste its subtle flavor and to savor its distinctive aroma is a pleasure beyond words.

Ask your favorite smoke shop for Partagas Premium Cigars in the length and ring gauge made for you. Whether you purchase these legendary cigars singly, in paquets of 10 or in hand-made cedar boxes, you can be certain that they are made as they are smoked—one by one.

Ramon Cifuentes will have it no other way.

PARTAGAS

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Brothers store on Main Street. Downtown parking as little as $1 a day. Taxi rates 8% below New York's. A full-time maid for $175 a week.

Not everything, of course, carries fire-sale prices. The venerable River Oaks Country Club still charges $35,000 for memberships and has a waiting list stretching into the 1990s. Milk costs 17% above the national average. The total sales tax in Houston just went up to 8%. Dry cleaning is no bargain, either.

But these amount to small change when you remember that Texas still has no state or city income taxes. Indeed, refugees from high-tax states often find that those savings alone can make affordable a second home, tuition payments or that larger dream house.—**William P. Barrett**

Bridging the house gap

Buying another home before you can sell the one you now own? It's a pickle many home buyers find themselves in when trading up.

Take the executive, for example, close to retirement, who is selling his Manhattan co-op and buying a more expensive home in Southampton, N.Y. He will have to close on his retirement home before he collects the proceeds on the sale of his co-op. He hoped to apply all the equity in the co-op to his new home, to make his new mortgage manageable. Needed: a bridge loan, in his case some $300,000, for a period of less than three months.

Where to look? There are three basic sources for such short-term loans: your bank, your broker and your own assets—from securities to insurance to pensions.

Apply to a bank and you'll soon learn how valued a customer you are. At the Bank of New York, for example, such loans are made quickly and easily all the time—to preferred customers. The minimum loan is $100,000, but usually bridge financing is for a lot more than that, says a Bank of New York loan officer. The loan is handled just like any other extension of credit, usually on an unsecured basis; neither house is taken as collateral. That means the interest on the loan, as a result of the new tax law, is only partly tax deductible this year, and not deductible at all starting in 1988. Remember, the new tax law will wipe out deductibility of interest on all loans except mortgages (and investment loan expenses applied against investment income).

Be prepared to submit a personal financial statement to the bank. If your credit warrants it, the loan can usually be processed in a matter of hours. The rate floats at 1 to 2 points above the prime rate, and there is a minimum $500 fee upfront for originating the loan. The loan itself is typically made for 30 to 90 days, but up to six months in some cases. Interest is often payable when the loan is repaid.

If you don't rate such preferred treatment, your bridge loan is likely to cost a bit more, take a bit longer and involve more paperwork.

Citicorp's mortgage bank division, for example, which operates in 16 states, now charges 10% on bridge loans, as well as a 1% origination fee. The loan is for a minimum term of six months, when all interest is payable in a lump sum. There are no monthly installments due.

It normally takes 10 to 15 days for the loan to be approved, although the process can be hastened in emergencies. You must be prepared to prove that the proceeds will indeed be used to bridge a home purchase and sale—a broker listing of your property or an actual contract for its sale will do. The maximum you can borrow is based on the value of the property itself and your equity in it. The interest doesn't qualify for the full tax deduction you would get for a conventional mortgage or a home equity loan, unless you can prove that the funds actually went toward the purchase of a new home.

Curt Dow

Many thrifts also make bridge loans, but often there are strings attached. At the Dime Savings Bank of New York, for example, both properties must already be in contract. Further, you have to take out a mortgage on the new property with Dime in order to get the bridge loan. (Moral: Shop for your bridge loan before you sign any mortgage commitment, if possible.)

The interest rate on this type of bridge loan is typically 2% over the prime on the day the loan funds are advanced, and the term is 90 days. It usually takes no longer than 10 days to secure the loan.

What about a simple home equity loan, which you could arrange long before you even shop for your new home? It's easy, convenient and the interest may be fully deductible. But there is usually a loan origination fee of 2% or so, or closing costs on your loan—$6,000 in the case of a $300,000 loan. And you have to make monthly interest payments right away.

As the Manhattan executive discovered, if you have a hefty portfolio of stocks or bonds, it is easy to borrow from your broker. You can usually borrow up to 50% of the market value of your stocks, or 92% on government securities. Rates can vary—recently from 7% to 14%, depending on the broker and the amount borrowed. Note: These rates could fluctuate quickly.

You might be able to borrow up to half the value of any qualified company pension plan, but only up to a maximum of $50,000. Still, Robert Taft, a tax attorney with Certilman Haft Balin Buckley Kremer & Hyman in New York, points out that most pension plans have nonalienability clauses in them. That means you are actually borrowing the $50,000 from the plan itself—not from your own pension. Some companies are more liberal on such loans than others.

Borrowing against a 401(k) plan is possible, too, but the alienability clause scares away traditional lenders. So if your employer won't do it, you won't be able to use those funds as collateral.

Your IRA is much easier to tap, however, and there is no cost whatever for short-term use of the funds. You can withdraw every dime from your IRA and use it for whatever purpose you would like once a year. But all the money must be reinvested in an IRA within 60 days, or you face penalties and back taxes. Note: You generally cannot do the same thing with your Keogh plan without a penalty.

Borrowing against the equity in an insurance policy or an annuity is still another way of raising relatively cheap cash.—**Lisa Scheer and W.G.F.**

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Do today's movie audiences want films that are neither too insipid nor too demanding? Cinecom Entertainment's young founder is doing well by finding out.

The Amir Malin story

By Dyan Machan

ARTISTIC TYPES DON'T like to admit it, but Hollywood has always been run by the numbers, especially the demographic numbers. Find a niche, and you've got a shot at becoming a mogul—until the niche gets crowded, or your ego outgrows it.

At 33, Amir Malin is on his way to moguldom. Seven years ago Malin was a staff attorney for WGBH Television in Boston. As he looked at the country's demographics, it struck Malin that the teenage audience was shrinking and the baby-boomers, now aged 25 to 40, were bulging. Hardly an original insight, but Malin took it a step further: Wouldn't older audiences want to see feature films somewhat more intellectually challenging than *Caddyshack* or *Superman*—but not as demanding as, say, Truffaut or Fellini?

Malin, then 26, worked out his business plan while at the TV station. He took it to a law school chum and his dad, a prospering businessman, who agreed to capitalize him with $750,000. Malin hooked up with two marketing people from United Artists' Classics, moved into a cheap office in New York's garment district, and hung out his shingle: Cinecom International Group, Inc. (changed a year ago to Cinecom Entertainment Group), distributor of low-budget, intellectual English-language films.

In the ensuing seven years, Cinecom has succeeded in distributing 31 such films. These include one failure *(1918)*, a handful of modest successes (including *El Norte* and *The Brother From Another Planet*), and a genuine hit: *A Room With A View*, produced by Merchant Ivory Productions (FORBES, *Mar. 23*).

Like a lot of people, Malin says he has always loved movies. Unlike a lot of people, he was also always intrigued by business. His grandfather owned an import-export textile company in Israel, where Malin was born and lived until he was 2. Then his parents moved to the U.S., where his father started an industrial maintenance company, which did well enough to provide an upper-middle-class lifestyle in Great Neck, N.Y.

Sylvia Plachy

Amir Jacob Malin

Born in Israel, 3/22/54; raised in Great Neck, N.Y.

1981-present: founder and chief executive, Cinecom Entertainment Group, distributor of films *Come Back to the Five and Dime, Jimmy Dean, Jimmy Dean* and *A Room With A View*.

First film produced: *Matewan*.

1979-81: WGBH Television, staff attorney.

Boston Univ. (J.D., '79)
Brandeis Univ. (B.A. History, '76)

Favorite films: *The Godfather* and *It's a Wonderful Life*.
Married to Karen Green, M.D.
One son.

Last book read: Martin Amis' *Money*

Goal: To create a brand image for Cinecom as producer/distributor of quality films. "You can never open a film too small."

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Malin did well as a student, first at Brandeis University and then at Boston University School of Law. The in-house counsel job at WGBH proved key, says Malin, in that it taught him negotiating skills and gave him experience in securing programs like *Masterpiece Theatre*. Malin still draws on that experience.

When he moved to the garment district in 1982, Malin knew he needed a break. Independent film distribution is a cutthroat business, and Malin's $750,000 startup capital wouldn't last Cinecom's five employees long. The break appeared in the form of director Robert Altman, who, Malin had heard, was disenchanted with the way the major studios had released his films. Now Altman had a new film, *Come Back to the Five and Dime, Jimmy Dean, Jimmy Dean*.

Aware that doing business with an established director would do wonders for upstart Cinecom's image, Malin practically begged Altman for distribution rights to *Jimmy Dean*. The quirky film, Malin told him, would be far more important to Cinecom than to the big studios. Altman agreed, and has no reason for regrets. *Jimmy Dean* opened in 1982 to horrible reviews in New York. But while more established distributors would have cut their losses, Cinecom pushed the film to other cities, marketing it slowly to the managers of all the new multiplex screens popping up across the country. In the end, the film, which cost $800,000 to produce, returned $700,000 in theatrical markets alone, after expenses.

Once on the map with a name director, it was easier for Malin to get new projects to distribute. After *Jimmy Dean* came *Starstruck*, a musical comedy that flopped, followed by Robert Duvall's *Angelo My Love*, a Manhattan-based drama that earned some money. And so it has gone.

Why don't the big studios crush ants like Malin? Because it's not in their interest. All Cinecom's films were ones that the major studios could afford neither to make nor distribute. Overhead for companies like Tri-Star, Warner and Paramount is so bloated that making and distributing a film that might earn a few million dollars isn't worthwhile, even if it cost only a few million to make.

For the first few years, in fact, not even Cinecom was making money, which was fine with Malin. His goal was to link Cinecom's name with tasteful merchandise. Everything in good time. By developing a following with intelligent films, he could eventually move to distributing properties with more commercial appeal.

His opportunity came in 1985. He saw the script for *A Room With A View*, the Merchant Ivory film based on E.M. Forster's novel, and smelled a hit. To make sure Cinecom got a piece, Cinecom for the first time put up money—$950,000, nearly a third of the film's $3 million budget—to help fund production. This secured for Cinecom the film's North American distribution rights.

How to promote it? Malin, a great believer in, and practitioner of, word-of-mouth advertising (see FORBES, *Apr 20*), holds scores of private screenings in New York, Los Angeles and other cities in which his films open. To these he invites people outside as well as inside the film industry: writers, artists, politicians. Where a major studio will take out splashy ads and release 1,000 prints of a film, Cinecom believes in starting small with minimum hype.

Cinecom Entertainment Group's Amir Malin
Films between Superman and Fellini.

"Nothing will kill a film faster than high expectations," says Malin, adding that the corollary to that is "one can never open a film too small."

Thus it was with *A Room With A View*. Large cities saw it first, followed by small, but Malin never allowed more than 250 prints in circulation. There was moderate advertising.

Malin went further. He developed an educational guide on Forster's novel and went to a convention of teachers in Chicago to get them to talk about the film in class. And further: Borrowing from big studios' practices, Cinecom launched a campaign with Random House to reissue the novel using art from the movie, and heavily advertised the sound track recording.

The film has been a great success. Made for $3 million, it has already grossed $23 million in the U.S. alone, without sales to independent TV stations, pay cable or home video. Cinecom's share so far: $4.5 million.

"I'm convinced that if a major studio had launched [*A Room With A View*]," Malin boasts, "Ismail [Merchant] wouldn't have seen a dime. The best advertising I have is when Ismail shows people the check Cinecom sends him every month."

Discount such talk as a born salesman's hyperbole. But Merchant Ivory was impressed enough to award Cinecom rights to distribute Merchant Ivory Productions' latest release, *Maurice*, based on the Forster novel about a man coming to terms with his homosexuality. Released last month at the Paris theater in New York, *Maurice* took in $94,782 in its opening week, a record for the Paris.

Malin's niche has grown crowded. Other independent outfits—Hemdale Film Corp. (*Platoon*) and Island Pictures (*Kiss of the Spider Woman*)—that began as distributors have backed into production and are going after the same "quality film" market Malin has his eye on. Determined to lock up the films he wants early in the production process, Malin has decided to add film production to Cinecom's film distribution activity.

The first Cinecom-produced film is John Sayles' recently released *Matewan*, about a coalfield union war in the 1920s. In the wings are the $5 million *Farm of the Year*, a story about two brothers traveling across the country, starring Richard Gere; *The Deceivers*, a $7 million thriller set in India and coproduced with Merchant Ivory; and the $6.7 million *Field of Blood*, about an Irish Republican Army informer, coproduced with director Nicholas Meyer. Malin says he has committed $25 million to production for 1988.

That's a lot of money for a little company (revenues were around $10 million last year) with a still-young chief executive in a tricky business. Cannon Group, to cite one recent unfortunate example, once did very well distributing and then making low-budget exploitation films. But Cannon tried to get respectable, made more expensive films, and bombed.

Malin insists Cinecom will stick to its low-budget, intelligent-film niche. It won't, he promises, launch more than eight or ten films a year, none with a budget north of $10 million.

But in the next breath, Malin starts talking about TV production, foreign distribution, maybe taking Cinecom public. That's one of the problems with the entertainment business. From small successes grow large egos. Continuing to contain his may be Malin's greatest career challenge. ■

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	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988	1987	1988
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Faces
Behind the Figures

Edited by Lisa Gubernick

A Shakey turnaround

"We've spent a lot of money cleaning up after the elephants," explains Gary Brown, chief executive of Dallas-based Shakey's Inc., the original—and nationwide—pizza chain. The elephants? Those ponderous Hunt brothers, who owned the Shakey's restaurants until Brown, 41, and partner Jay Halverson, 48, bought the company—which includes the U.S. and Canadian operations—in 1984.

For ten years Shakey's had been the Hunts' unwanted stepchild, an operation they acquired almost accidentally when they took over Great Western United Corp., the Colorado sugar and land development company. It should have been a great time to be in the pizza business. But in contrast to management at rivals like Pizza Hut, the Hunts neglected their franchise. The president's office acquired a revolving door—seven presidents in ten years. Shakey's slipped from top in the industry to number seven and was losing some $550,000 a year.

As one of the chain's largest franchisees and head of the franchisee organization, Brown had much to lose in the pizzamaker's decline. He came to Shakey's after graduating from Texas A&I University in 1969 and spending one semester at the University of Pennsylvania's Wharton School. After five years in finance and operations in the corporate office, Brown and Halverson bought their first three franchises in Sacramento, ultimately adding six more in that area.

By 1983 Brown became convinced that the Hunts couldn't turn the operation around. He began to pressure them to sell. Smith Barney, Harris Upham put a $35 million price tag on the whole operation (which then included the overseas division)—and started shopping it around, but there were no takers. Finally, in January 1984, Brown bought the North American restaurants himself at a fire-sale $17 million, financed through Texas-based venture capitalists and loans from the Hunts and Allied Bank.

Shakey's Chief Executive Gary Brown
Sweeping up after the Hunts.

In his three years at the helm, Brown has cut the number of restaurants by 21%, to 244, of which the company owns 11. At the same time, he has started marketing the chain much more aggressively. Two years ago Shakey's ran television advertising in just five markets. Now the restaurants' ads run in 18 markets.

Results? Despite all the closures, sales are expected to dip less than 1% from two years ago, to $145.7 million in fiscal 1987 (ended Sept. 30). And sales per unit may be up 11%—to an estimated $558,000 in 1987.

Unfortunately, the effect on the bottom line hasn't been so dramatic. In 1985, the first full year Brown owned the company, Shakey's posted a net loss of $5 million, on system-wide sales of $147 million. Brown squeaked by with a $431,000 profit in 1986, but he expects to slip back into the red this year because of various capital expenditures, including a $5.2 million remodeling program. It will be Shakey's first in over a decade.

"We've been doing a lot that should have been done by the Hunts," says Brown. "We were way behind the rest of the industry." Now, at last, the changes are being made.—**Lisa M. Keefe**

Tinker's CBS deal

Nobody has heard much from Grant Tinker since he resigned as chairman of NBC last year. Nobody, that is, except CBS President Laurence Tisch, Chairman William Paley and Gannett Chairman Allen H. Neuharth.

In December 1986 Neuharth offered Tinker's brand-new production company, GTG Entertainment, some $40 million, and a promise of more if he needed it, to buy and redo 12 old and two new stages at Culver Studios in Culver City, Calif. for GTG's headquarters. Tinker also agreed to mastermind the creation of a new show called *USA Today* for Gannett's television stations and independent syndication. The show should start airing in the fall of 1988.

CBS, meanwhile, has made a deal with Tinker that could provide it with the majority of shows to be produced by GTG, starting in 1988. Recalls Paley: "We shook hands ten minutes after we met, that's how it was."

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Television producer Grant Tinker
What comes after NBC?

Faces
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certainly has gone a long way on faith, but in Tinker's case it's justified. Tinker, as chairman of NBC since 1981, took the network from third place to first and increased pretax income almost ninefold, to over $400 million. Today NBC remains on top, thanks to programming buys made by Tinker and his team, led by NBC Entertainment President Brandon Tartikoff.

Tinker is once more drawing talent to his new operation. He has already recruited Steve Friedman, credited with marching NBC's *Today* show past ABC's *Good Morning America*, to guide the new *USA Today* show. Jay Sandrich, once lead director of *The Cosby Show*, has scaled back his commitment to that NBC hit in order to work for Tinker.

No word on just what Tinker will be producing, but one thing is sure. If Tartikoff is to stay on top, he will have to keep an eye on his former mentor.—**Allan Dodds Frank**

The dog ate his homework

Harry Kraatz, 37-year-old president of menswear retailer Aca Joe, Inc., has excuses so convoluted they stretch the mind. To hear him tell it, the ex-cop is courting a onetime downhill racer to rescue his flailing operation because the 1985 Mexico City earthquake conspired with obstinate accountants this year to give Aca Joe a negative net worth of $437,444. "For such a simple concept, this is a very complex company," Kraatz explains.

Aca Joe's Harry Kraatz
Alibi Ike.

The complexity starts with some trouble Kraatz has been having getting clothing into his franchise network of men's casual apparel stores. "Our suppliers didn't deliver the goods," says Kraatz. The worst delay came when the 1986 spring line got stuck at the airport in Mexico City for two months.

Such glitches have been hard on Kraatz' franchisees. So hard that early this year Kraatz was forced to buy out his two largest retailers in a stock swap. Had they gone under, Aca Joe would have lost 44 of 111 outlets and 40% of $23 million in revenues.

The deal wound up costing more than a stock dilution. The day before the company's 10K was due at the Securities & Exchange Commission, Kraatz' auditors surprised him with a $4.6 million writeoff of intangible assets that came with the stores' purchase. That pushed Aca Joe's net worth below the level that its lenders required.

For now the only thing keeping the lenders from foreclosing appears to be one C.B. Vaughan, once the world's fastest skier, now sole owner of C.B. Sports, a $32 million Glens Falls, N.Y.-based ski and sportswear manufacturer. Vaughan has agreed to inject $3 million into Aca Joe for a minority stock position and control of the board. If the deal goes through, Kraatz will lose control of his company, if not his job.

Stuck with 500,000 shares trading at 1—down from 10 two years ago—Kraatz nonetheless remains cocky. Says he, "I love the clothes. I love the concept. I really believe we're going to win this game." If only the deliveries arrive, it doesn't rain, the accountants don't wreck everything. If only, if only. . . . —**John R. Hayes**

Destination: Mexico

Some people seize upon things like earthquakes as an excuse for their own business problems, but French-born John Berthelot, 57, is not one of them. Berthelot is president of Hoteles Camino Real, S.A. de C.V. (47% owned by Westin Hotels), Mexico's biggest operator of luxury hotels which is enjoying record earnings as a result of the weak peso and having escaped largely unscathed from the 1985 Mexico City earthquake's rum

WHAT MAKES THESE CEOs MORE IN THE KNOW THAN OTHERS?

Kenneth H. Olsen, President, CEO, Digital Equipment Corporation

Vernon R. Loucks, Jr., President, CEO, Baxter Travenol Laboratories, Inc.

Jim P. Manzi, Chairman, CEO, Lotus Development Corporation

bert A. Breakstone, President, CEO, Health-Tex

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Sidney W. Swartz, President, CEO, The Timberland Company

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Not a yes man in the bunch. Yet every one of these industry leaders gave the nod to Puerto Rico for expansion of their production facilities.

And not just for all the wonderful things Puerto Rico *doesn't* offer. In a most revealing survey of executives of parent firms with plants in Puerto Rico, 77% attributed their company's success to the labor force and native Puerto Rican management.

This is not to say that substantial federal tax credits, local tax incentives, proximity to the U.S. market, factory space starting at $1.25/sq. ft./yr., and government-subsidized training programs didn't factor in their decisions. But once they noted the direct correlation between impressive quarterly results and their workers' commitment to excellence, these leaders of American industry all had basically the same thing to say: "We came to Puerto Rico for the taxes, but we stayed for the people." No wonder these guys are smiling.

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The climate is right.

Hoteles Camino Real's John Berthelot
Making money off the falling peso.

bles. Revenues from managing this chain of hotels and beach resorts, the only such operation in Mexico, have grown nearly 50% in the past two years, to more than $100 million.

The occupancy rate in the Camino Real's 3,700 guest rooms is up to 74%, from 66% in 1985. Demand for rooms at the flagship hotel across from Mexico City's Chapultepec Park is brisk. Long the preferred digs of visiting heads of state, the five-story, 716-room Camino Real is drawing earthquake-wary visitors from nearby high-rise competitors.

Berthelot has done more than be in the right place at the right time. He has intensified sales efforts in the key U.S. and Canadian markets. And he is increasing capacity, adding new hotels in Cancun and Puerto Vallarta and scouting locations in Baja and the state of Oaxaca.

There's no recovery in sight for the peso, and Berthelot couldn't be happier. "Mexico will be a tremendous destination for years to come," he predicts, noting that Mexico expects 5 million tourists this year, up 25% from last year. "In four to five years," he ventures, "we could see 10 million tourists a year."—**Marc Beauchamp**

Crawfish farmer Larry Woodard
Getting Travelers Corp. into the mudbug business.

Faces
Behind the Figures

King of the crawdaddys

You might think the biggest name in Louisiana crawfish farming would have a Cajun flavor to it—Broussard, maybe, or Boudreau.

Try Travelers Corp. In 1984 the Hartford, Conn.-based insurer's real estate subsidiary, the Prospect Co., formed a partnership with Louisiana rice and soybean farmer Larry Woodard to farm 6,400 acres near Dupont, at the top of the Atchafalaya Basin—serious crawfish country. With roughly 5,300 acres devoted to farming the freshwater delicacy (the rest is devoted mainly to rice), the Woodard Plantation is the largest such operation in Louisiana's estimated $100 million industry.

What's in it for Travelers? "We're still in the red," says Woodard cheerfully. "It's R&D all the way." But the future looks promising. Thanks to the current craze for Cajun cuisine and Americans' growing appetite for seafood, the market for the little mudbugs is growing—crawfish farming acreage is up 86% since 1981.

One of Woodard Plantation's biggest accounts is S&A Restaurant Corp., owner of the Bennigan's—where the crawfish hors d'oeuvre is a popular appetizer—and Steak & Ale chains.

There's also a large potential market in Europe. A crawfish blight in Scandinavia and Turkey last year opened up Europe to Louisiana crawfish, paving the way for an expected 1,200 metric tons, worth $7.9 million in 1987. Woodard said the company recently signed a contract with Faco A.S., a crawfish processing company in Ålesund, Norway. The company

Ekco Group's Jack Culberg
"I'm right back where I started."

Kevin Horan/Picture Group

aims to ship as much as 50% of its crawdads to Norway, most of which it hopes to process in its Louisiana plant.—**Stuart Drown**

You can go home again

"I'm right back where I started," says Jack Culberg, 73. And that suits him just fine.

Last year Culberg was named chairman of over $100 million (1986 sales) Ekco Group, the Chicago-based maker of kitchen knives, gadgets, microwave cookware and other such housewares. The coup came some 40 years after Culberg started with the company as a lowly salesman. He spent 15 years working his way up to marketing director, then left when he realized he would never get the top spot at what was then a family-run company. Culberg spent the next 18 years at Revlon, Schick Electric and Ronco Teleproducts. He retired in 1979 and, for the next five years, served on a variety of corporate boards and consulted for various consumer goods companies.

What of Ekco? In 1965 the Katzinger family sold out to American Home Products, which owned the company for the next 19 years. Then, in 1984, leveraged buyout artist Gibbons, Green, van Amerongen, Ltd. offered American Home $120 million for the housewares unit. Culberg, who had been advising Gibbons, Green on another deal, caught wind of the offer and jumped at the chance to invest in his alma mater.

Culberg has paid off most of the $100 million borrowed for the buyout by shucking a clutch of Ekco's operations, including a division that sold pots and pans door-to-door, and a lock company. Meanwhile, he focused the company's remaining products on the upmarket cook who, says Culberg, likes gadgets and plenty of them. Culberg won't disclose profits, but he will say that Ekco now earns more than it has since the 1970s. Only now, he adds, "instead of the profits going to American Home, management gets a piece of the dollar."—**Gail Buchalter**

Stay tuned

Cleon (Bud) Knapp gets misty recalling his struggle to find a niche for *Geo* in the crowded U.S. magazine market. Knapp bought the moneylosing *Geo*, a mix of travel, nature and investigative features, in 1981 from West German publisher Gruner & Jahr A.G. By early 1985, when Knapp, 50, folded it, *Geo* was reportedly losing upwards of $1 million an issue.

Despite *Geo*'s fiasco, privately held, Los Angeles-based Knapp Communications Corp. is doing fine. Money machines *Architectural Digest* and *Bon Appétit* have propelled revenues from $5 million in 1975 to an estimated $120 million this year.

Now Knapp has decided to embark on another risky venture, moving into a market where Time Inc. and Triangle Publications *(TV Guide)* have stumbled. The market: network or cable-specific television program magazines. In January Knapp launches *KCET Magazine*, an advertising-supported monthly that the 250,000-plus subscribers of Los Angeles' public TV station will get free with their annual contributions of $40 or more.

Knapp's *Geo* lesson? To take on a partner to limit his risk. Thus, KCET will shoulder about 20% of the estimated $5 million it will take for a launch. In addition to TV schedules and features on programs, the magazine will include a "lifestyle" section with travel pieces, restaurant reviews and business stories. Under a profit-sharing plan, the publication could eventually generate earnings for KCET. That's a big "if," considering the fate of *Dial*, the recently defunct guide to PBS stations.

Knapp is counting on promotion from the local station—and the promise of a geographically well-targeted audience—to appeal to advertisers. Will Madison Avenue be interested in luring KCET viewers—who range from preschoolers to grandparents? Stay tuned.—**Marc Beauchamp**

Bill Varie/Sigma

Knapp Communications' Cleon Knapp
Success where Time Inc. failed?

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8

Plant location influentials

rely on Forbes most often for information and ideas. A recent study of officers at headquarters in America's largest corporations revealed that more executives active in plant location decisions read Forbes regularly (3 out of 4 issues) than any other major business or weekly news magazine:

	% of Regular Readers
Forbes	66.7
Business Week	48.9
Fortune	35.6
Time	35.6
Newsweek	20.0
U.S. News & World Report	6.7

Source: Opinion Research Corporation, Oct. 1985–Oct. 1986

In which Malcolm Forbes and a semi-doughty band of adventurers, including a pair of kings, explore the upper reaches of the legendary river, bringing back 3,694 photographs and various curiosities, including a large Beetle

The great Amazonian expedition

By Christopher Buckley

I DON'T KNOW WHY Malcolm Forbes does the things he does, such as hot-air ballooning across America or motorcycling through Europe, the Soviet Union, China, Thailand, Pakistan, Japan with his own version of the Hell's Angels, the "Capitalist Tools." The world is not so much his oyster as his Everest. It is simply, and tauntingly, there.

But going up the Amazon, even in his 151-foot motoryacht, *The Highlander*, is a daunting proposition. The sheer scale of the river, for instance: Ten of its more than 1,000 tributaries are larger than the Mississippi. Combined, they produce an outflow 16 times that of the Nile. If you dammed Lake Ontario and the Amazon were a hose, it could fill the lake back up to the brim in three hours. When the first Europeans arrived in the middle of the 16th century, they were amazed—they were able to fill their casks with fresh water, at sea, 60 miles from its mouth.

Eileen Phillips

Donzi-ing to a village: still a barter economy

Christopher Swain

Malcolm is a whimsical man, but he is also a thorough one. *Highlander* was sent to the Merrill-Stevens yard in Miami and outfitted with $40,000 worth of propeller guards to protect her screws from the enormous, and destructive, flotsam. The river begins its 4,000-mile journey to the South Atlantic on the slopes of Mount Mismi, high in the Andean cordillera. It quickly becomes a giant brown snowball, moving at speeds of up to six or seven knots, carrying immense trunks of trees, floating islands of *cananara* grass and all manner of exotic things. Once installed, the propeller guards turned out to cut one-and-a-half knots off the *Highlander*'s 13-knot cruising speed, as well as cause a vibration that her engineers deemed dangerous—so the propeller guards were removed.

In addition to her own searchlight, the *Highlander* was specially fitted with three extra ones hung low over the bow, to sweep the murky surface. At night, lying in our bunks, we felt the ship doing a strange slalom, swerving sharply to avoid the logs. Despite the diligence of the river pilot and our own watch officers, it was impossible to avoid all obstructions. Several times I started awake in the middle of the night from a violent bang against the hull, a little shaken, grateful for *Highlander*'s solid Dutch craftsmanship and her 7-millimeter-thick steel hull.

Swiftly moving logs were not, of course, the only danger. On the way down to Manaus aboard *The Capitalist Tool*, Forbes Inc.'s Boeing 727, I read aloud to our group from Alex Shoumatoff's extraordinary account of his year in the region. His naturalist's reportage was . . . alarming. The Amazon can kill you, maim you, blind you, cause various extremities (you don't want details) to drop off. They've got things down there that must have popped up when God was on a coffee break those first six days. The clincher was a passage about a toothpick-size catfish called *candirus* that has a fondness for "mammalian orifices," such a fondness, indeed, that once it lodges, it throws out little spines that make removal possible only by surgery.

As I read on, faces winced and we tried to concentrate on lunch. I think it was when I got to the part about the *candirus*—or was it the insect that lays eggs in your eyes?—that Malcolm cleared his throat and said we would have a doctor aboard, a specialist in tropical diseases. Gratitude was expressed. After we arrived, we learned that a man had just been killed eight miles from Manaus by a jaguar. We were in no danger from jaguars, but for those of us who grew up in New York suburbs, it was chilling to hear the details. The cat had come in to feed on livestock and attacked an aged farm worker. The man had killed the jaguar with a machete, but died five days later in the hospital of wounds.

Finally there was the matter of the

Robert Phillips

Up the world's greatest creek without a paddle, **The Highlander (left)** ***and*** **The Virginian**

Laslo Kubinyi

Robert Phillips

Jungle hackers: MSF and guide

Center foreground, left to right: *Malcolm Forbes, King Simeon of Bulgaria;* from left: *King Constantine of Greece, John Kluge, Patricia Kluge, Esteban Ganoza, Christopher Buckley, Queen Anne-Marie of Greece, Lord and Lady Romsey, Queen Margarita of Bulgaria, Archibald Roosevelt, U.S. Chief of Protocol Selwa Roosevelt, Kip Forbes.*

Their King beats our Queen

Bulgaria's Queen Margarita observes the traffic

passenger manifest. On board were:

Christopher Forbes, yclept "Kip," vice president and associate publisher of FORBES, author of four books on art and avid collector of Napoleon III memorabilia.

Their Majesties Conde and Condessa Rylski; Simeon was until 10 the king of Bulgaria, at which point the communists, having murdered some 30,000 to 100,000 Bulgarians, including Simeon's uncle, exiled "the little king"; since then he has lived in Madrid with his lovely Spanish wife, Margarita;

Ambassador Selwa and Mr. Archibald Roosevelt; "Lucky" is U.S. chief of protocol at the State Department, where she greets and escorts foreign heads of state; Archie, now director of international affairs at the Chase Manhattan Bank, was for almost 30 years a high-ranking officer of the Central Intelligence Agency. On the way to Manaus he presented Malcolm with a first edition of *Through the Brazilian Wilderness,* written by his grandfather, Theodore Roosevelt;

Esteban Ganoza, a 25-year-old Peruvian businessman and M.B.A. candidate, stepson of U.N. Secretary General Javier Pérez de Cuéllar;

Robert Phillips, photographer for *Town and Country* and *Yachting;* and me.

We were not alone. The summer before, Malcolm had mentioned his plans to take *Highlander* up the Amazon to his friend Patricia Kluge. Patricia is the "brainy and beauteous"—as she was described in Archie's valedictory poem at journey's end—wife of John Kluge.

John, chairman of Metromedia, Inc., is familiar to the readers of this magazine by virtue of his occupying the number two slot in last year's The Forbes Four Hundred.

Patricia was much taken with the idea and volunteered that she and her husband would enjoy signing on with their own yacht, which was Malcolm's previous *Highlander.* Malcolm was delighted. John and Patricia brought with them on *The Virginian:*

Their Royal Majesties Constantine and Anne-Marie of Greece; until the coup by the colonels in 1967, the engaging Constantine was regularly employed at the Royal Palace, Athens where he ran the country; a helicopter pilot, crack shot and raconteur, he is married to the sister of the present Queen of Denmark: and

Lord and Lady Romsey; former filmmaker, now an entrepreneur living on the estate left to him by his grandfather, Earl Mountbatten of Burma; she is an English beauty straight

Robert Phillips

Returning from shore leave

out of a portrait by John Singer Sargent; his lordship and his friend King Constantine whiled the drowsy hours away by occasionally blasting at floating cananara islands with a deer rifle.

Apparently word of Malcolm's expedition spread, and soon three more owners of large motoryachts were calling to ask if they could come along. The prospect of this flotilla, pleasant as the extra company would no doubt have been, was, as Malcolm put it, "satirical, rather than lyrical." He persuaded them that five huge yachts would have exhausted the local resources.

And they would have. Large yachts in these parts are rare. The *Highlander* and the *Virginian,* docked bow to transom in front of each other at the wharf in Manaus, were an incongruous sight, no less to us than to the crowds that had gathered as we were piped aboard by Glenn Ellison, the second steward who also plays a mean "Scotland the Brave" on his bagpipes. A man stood by the gangplank with an ocelot for sale ($1,000), as guards with shotguns patrolled while the truck with our bags and provisions pulled up. Its size was widely commented on in the Manaus press the next day.

Malcolm was front-page news for three days. At the press conference the next day aboard the *Highlander,* attended by about 30 reporters, he strode out with "Gus" coiled around his arms. Gus was the young boa constrictor Malcolm bought on the streets of Manaus and presented in a paper bag as a surprise to the *Highlander*'s sous-chef, David Chiusano. I wondered how Gus was going to react to the TV lights and all the excitement. I guess it would have made a good photo if he had begun strangling Malcolm as he was answering the reporters' questions about Brazil's foreign debt.

There were a lot of questions about that. It now exceeds $100 billion, and their cash reserves are almost nil, because of a recent policy disaster. Last year the government imposed wage and price controls, but the ranchers refused to go along, withholding their beef from the market. The government, determined to show them who was boss, retaliated by importing beef, into a livestock-rich country. After a few months their reserves were seriously eroded.

(When I subsequently learned that John Kenneth Galbraith had been in Brazil recently, dispensing advice, I immediately grasped why the country's economy is in such disastrous shape.)

Malcolm coped with the debt question by saying that it would simply have to be "restructured." Feeling expansive, he said that "no one could ever go wrong investing in Brazil." The next day I found myself reading about Daniel K. Ludwig, who lost his shirt—more than $1 billion—on his fabled tree farming operation at Jari, just down the river. After he had built a city and a railroad and cultivated an area roughly the size of Connecticut, the government, among other things, refused to verify his title to the land.

The tapes whirred, the cameras clicked. Next day a huge headline above the fold:

"FORBES: NO CRISIS IN BRAZIL"

That night, entertaining 20-odd businessmen and journalists he had flown in from São Paulo and Brasília aboard *The Capitalist Tool,* he gamely offered to write out a check for the whole hundred billion. The roars of approving laughter were slightly ballasted by the expression on son Kip's face as he listened to this cavalier treatment of his patrimony.

The press loves royalty, in Manaus as elsewhere. There was a half-acre photograph of them, very much above the fold in the paper next day, but the identifying caption managed to get it slightly wrong, making Constantine the king of Bulgaria and Simeon the king of Greece. I asked Margarita how she liked her new kingdom. She said it was very nice, but, come to think of it, she would like the old one back.

Malcolm jetted off on the *Tool* for

lunch with President Sarney. Simeon, who speaks eight languages fluently, had spent a busy day translating for Malcolm and the businessmen and government types, and offered to go along and perform the same service at lunch. Malcolm said, "You'd better not. That way I won't understand."

When he helicoptered back onto the deck of the *Highlander* a day later, we were eager to know how it had gone. Kip was curious to see if he had an inheritance left.

"How was the president?" we asked Malcolm.

"In better shape than he should be," said Malcolm, who went off to shower and change into the first of a series of slacks of the kind worn by wealthy Episcopalians off on a jag. These were bubble-gum pink with a pattern of grinning lions.

Our trip would take us about 1,200 nautical miles, sinuously westward from Manaus to the Peruvian port of Iquitos.

We were accompanied by a young man named Silvio Magalhaes Barros, and if ever you plan a major trip to the Amazon, try to get him to go with you. Highly educated and well-spoken, he is part of the Brazilian effort—though he no longer works for the government—to open the Amazon to foreigners. When Jacques Cousteau made his extensive expedition a few years back, it was Silvio who made the myriad arrangements and went along. Cousteau's needs were specific, but I doubt we were much less demanding. Silvio attended to every need, acting as a kind of ship's superagent, arranging crocodile hunts (photographic), flying on ahead to Peru and Colombia in the helicopter and starting the Sisyphean process of clearing formalities and answering questions about panthers and soil acidity.

To get to Iquitos from Manaus, you head east about ten miles, down the Rio Negro, then hook a sharp right at the Solimões river. The term Amazon, incidentally, technically applies to the river below Manaus. We would be spending ten days on the Solimões.

The meeting of the two rivers is dramatic. The cola-red Rio Negro—nicknamed the River of Hunger by the fishermen because its high acidity, about that of vinegar, makes it inhospitable to fish—joins with the sediment-dense, café-au-lait-colored Solimões. As we neared the ripply line exactly separating the two, our bagpiper suddenly appeared at the bow, in full regalia, and began to play the Scottish tune, "The Meeting of the Water." We were on our way to Peru.

The Amazonian sun is fierce. We were 180 miles below the equator, technically winter here, and by midday it was 105 degrees on deck. Jon Bannenberg, *Highlander*'s designer, left out one thing—a pool. (The only thing he left out.) Kip, master of detail, had thought to buy a child's wading pool in the Manaus bazaar. We filled it and splashed about. I was in the sun maybe 20 minutes, and, having no desire to get skin cancer, went in. Even so, that evening, where my sunglasses had been was the clear outline of the frame. I spent the balance of the voyage looking like a raccoon.

Toward late afternoon, as we headed for our dinnertime rendezvous with *Virginian*, a loud banging was heard beneath the fantail deck. The propeller. Deckhand Rick and second mate Walt performed the heroic task of donning scuba gear and going in to investigate. But the current was so strong they were repeatedly swept away. The captain decided to move *Highlander* to an area of dead water and reanchored about 20 feet from the shore. As we dressed to go aboard the *Virginian* for dinner, they dressed for another plunge into the forbidding waters of the Solimões.

Our ladies, Margarita and Lucky, were very elegant as they stepped into the Rubber Duck—our inflatable Zodiac tender—but not wildly happy about the bats that were attracted by the beams of the flashlight. They danced above us the whole way as we weaved through logs and grass islands toward the *Virginian*. Upon arriving the ladies were restored by flutes of champagne.

The Kluges laid on the first of many delicious meals, including baklava and "Queen Beatrice" pastries, a gift from the Greek cruise ship that had been alongside the same wharf in Manaus. Its crew had been very excited to learn that their former king and queen were aboard and invited them for a few rounds of ouzo. Constantine had happily accepted. All the officers showed up, except the captain. The king said afterward that meant he probably had views.

"Well, I've come to one conclusion about this trip," said John Kluge, lighting up a Havana. "We're going to have to lie a lot when we get home." The last time he had been to the Amazon was in the Fifties, when he and a friend took a seaplane up its entire length, sleeping every night in the jungle.

Back on the *Highlander* after a bat return, we got the report on the pr

Christopher Rocke

Chief of Protocol Roosevelt: a piranha named for grandpa

Robert Phillips

Simeon saves the day

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peller. Even with their powerful underwater lights, Rick and Walt had been unable to see the propeller from four inches away. They'd had to put their masks right up against the shaft and examine it slowly, centimeter by centimeter.

Rick mentioned that upon surfacing, he had shone his flashlight on the shore. "There were these two red eyes looking at me." Crocodile.

They had found nothing wrong, and, as the captain explained, that was "bad news." We were now faced with returning to Manaus. The trouble was, even in Manaus the resources were limited. No drydock. Suddenly, after all the planning, our Amazon adventure was in imminent danger.

But then an hour later Rick appeared and announced that the propeller problem had, oddly, disappeared, so we were full steam ahead for Iquitos after all. For the time being, anyway. If it recurred further up the river, far from a major port, the prospects weren't good.

The next morning, the king of Bulgaria was examining the model of the *Highlander* behind glass in the salon and came up with a theory. Noticing a skeg—a dorsal fin—protruding downward from the hull several feet ahead of the propeller, he wondered if reeds and other riverine detritus might have accumulated on it, preventing a clean flow of water to the propeller. His theory was relayed to the captain.

Malcolm, I had begun to notice, has a quality I have observed in many makers and shakers: total impatience with things that impede his forward progress. I would notice it most vividly a week later when, faced with a natural dam of logs in a tight estuary, he gunned the speedboat's engines and tried to sort of ski over it—with interesting results.

"We are not returning to Manaus," he informed the captain.

"Okay, sir," said the captain dutifully, going off, probably to worry.

That afternoon we took the Donzi—our high-speed tender—and the Rubber Duck to check out the shoreline, stopping at the home of a jute farmer. The slender reeds are cut and soaked in the river, then stripped and dried. His pretty daughter, 2, burst into tears upon seeing us. (Probably Malcolm's pants.) Unlike her dark olive-skinned father, she was fair, with blond ringlets, something common among the children of the region. So many races have mixed in this melting pot that the European chromosomes sometimes assert themselves after a generation or two of genetic somnolence. Margarita, who has five children of her own, coaxed a smile out of her.

Malcolm asked the farmer how much he made with his crop; when he answered in terms of food and items, it became clear that cash never entered in: His was a one-crop, barter economy. When we tried to press a small gift of a wad of *cruzeiros* on him, he graciously refused, accepting it only when he was told that it was for his little girl.

"He could buy a pair of pants like Pa's," suggested Kip.

Just then the walkie-talkie crackled. It was the captain, back aboard the *Highlander*.

"My compliments to the king, sir," he said. "I've been giving his theory about the prop some thought, and I think it makes sense. We've reversed the engines to remove whatever may have accumulated on the skeg, and the problem appears to have gone away."

Simeon was roundly congratulated. Malcolm throttled the Donzi to 20 knots, and we sped back to the *Highlander*, skimming over the surface of the brown water as the sun, low in the west, sparkled through our wake.

Two days and some extraordinary meals later, a curious invitation arrived from the *Virginian*. Would any of the *Highlander*s care to spend a night in the jungle?

It was Malcolm, looking up from his butterscotch sundae, who asked the penetrating question:

"Why?"

Silvio explained that they wanted to get some flavor.

Malcolm pondered this. "We'd be happy to provide them with a tape o jungle noises."

Kip and I decided to go along. May be this way we wouldn't have to lie s much when we got home.

When the appointed morning ar rived, I came up to breakfast to fin great excitement over a beetle tha had been found, quite alive, on th *Highlander*'s deck that morning. grew up in Connecticut, where m mother's rosebushes were periodical ly attacked by Japanese beetles, som as big as your thumb. This was th size of a fist. The crew brought it in i a Baggie. Lucky more or less fainted In all fairness, she was unused to be ing brought large *coleoptera* at th breakfast table.

The *Virginian*s were prepared fo more than beetles. The King of Greec had a .38 tucked into his waistband Lord Romsey a Walther PPK in a thig pocket. The dugouts were loaded wit food, water, hammocks, mosquit netting, insect repellent, even snak antivenin packed on ice.

Silvio apparently was nervous since in this area the *jacarés*—th Amazon's crocodilians—get up to 2 feet in length. It was good to hear tha in addition to the handguns, th guides were armed with 16-gaug shotguns loaded with slugs.

We fished for piranha, paddle through the flooded forest an marshes with giant lily pads, decline a generously offered native meal c catfish—head and guts attache boiled in Amazon water— watched hundred thousand fireflies illuminat the blackness, shuddered when bir size insects landed on our faces, li

Christopher Buckley

His Majesty repelling borers

Christopher Buckley

From Lady Romsey's viewpoint

tened as the guides made the "Whoaan! Whoaan!" sound to attract the crocs, slept under the stars in mosquito-netted hammocks, glistening with sweat, eyes stinging with mosquito-repellent, listening to the sounds of the guides in the distance hunting jaguar.

It was a trip of so many contrasts: lunching on the solarium deck on hot dogs and hamburgers and french fries and cupcakes as thatched-hut villages glided by, with Simeon telling us one spell-binding story after another about his flight, at 10, from Bulgaria; about signing over, with his own shaking hand, the Shroud of Turin to the Vatican after his uncle, the King of Italy, died, leaving it to the Church in his will.

At one point in the story about his exile, he paused and said that he was afraid he was boring us. He was sincere. Simeon is like that, a thorough aristocrat, informed by grace.

Malcolm fairly sputtered. "My God," he said, "most of us have to read history. It's not every day we get the chance to talk to it."

There were also interesting connections present. Constantine and Simeon and Norton Romsey were related, all being descended from Queen Victoria, Constantine directly. Kip gave them copies of the catalog he had written for the Forbes Museum collection of Victoriana, the subject of his senior thesis at Princeton, which led to an exhibit at the Metropolitan.

Kip was amused when Lord Romsey said to him one night in hushed tones that "we're pretty certain that she did in fact have a go with John Brown, though of course it will never be published." Kip's amusement over this stemmed from the fact that the Forbes collection includes a letter from Victoria to the Queen of Sardinia, "fairly panting," as Kip put it, "over her Scottish hillie," or as he nicely described him in his senior thesis, "the brawny consolation of her long widowhood."

Simeon's father, King Boris, had helped save the lives of 50,000 Bulgarian Jews during the war. Queen Anne-Marie's father, as King of Denmark, had done the same thing, insisting that if the Jews were to be made to wear yellow stars, so would he. Hitler backed down.

And it was Archie's grandfather, Teddy, who had introduced the piranha to the world with his book on his Brazilian adventures. A sub-genus of the fish is even named after him—*Taddyella*.

One morning, as we neared the Peruvian border, Malcolm declared that there would be a skeet competition. The Remington 12-gauge pump guns we had aboard for counterterrorist purposes were not the fine bird guns that Simeon and Margarita were accustomed to shooting in Spain, but king and queen both blasted one clay pigeon after another out of the sky. Observing this display of marksmanship, Malcolm, drawing up the teams, decided it would be "Our king and queen against their king and lord." Pat Kluge said, "Sounds more like chess."

I asked Malcolm if he wasn't going to shoot. "Not me," he said. "The last thing I shot was Germans."

King Constantine and Lord Romsey must spend an awful lot of time blowing things out of the sky, because they were deadly.

The next day a spectacular rainbow appeared. "That," said Silvio, pointing to the land at 3 o'clock, "is Brazil. That," pointing to 1 o'clock, "is Colombia. And over there," at 11 o'clock, "is Peru." Poor Silvio would be engaged all day and into the night clearing us out of Brazil and into Peru, satisfying those countries' lust for triplicate forms.

We Donzied into Leticia to have a look at one of the major cocaine exporting towns in the world. It is immediately and tangibly sinister. Along the waterfront were a dozen high-speed boats that had been confiscated from drug runners, as well as a few seaplanes. There, too, was a tattered bateau mouche of the kind that takes you around the Ile de la Cité in Paris; painted on its side were the words, "Monkey Island Tours." Snorted Malcolm, "Monkey Business Tours, you mean."

The Queen of Greece was thoroughly splashed when an army truck plowed full speed into a pothole full of slimy brown water. We passed a pool hall where a throat-slitting was no doubt in progress. Our tour guide pointed out various spots where he had witnessed fire fights and drug-world assassinations. John Kluge's security man, John, hugged his duffel full of firearms and kept alert. The ladies descended on a little jewel shop next to the Hotel Anaconda, whose owner, the guide informed us, had been murdered a few months ago for refusing to sell to a cocaine merchant from Lima.

Back on the *Highlander*, we watched Jacques Cousteau's documentary about the Amazonian cocaine business. It was one horror on top of another, a white and red and green stew of alkaloid and blood and money. An interesting moment came when Cousteau was interviewing a young coca producer. He was college educated and bright and was making a quarter of a million dollars a year. His face shaded from the camera, he said that he never touched the drug himself, and he wasn't in it for the money. "I do it," he said, "to destroy the U.S.

Christopher Buckley

Mrs. John Kluge: a night in the jungle

Eyes stinging with mosquito repellent

This is war."

War. Mao said that power began at the end of the barrel of a gun. Theirs begins at the tip of a coke straw. The ideology-minded cocaine dealers—and some apparently are sincere, not just assuming political coloration to dignify their squalid trade—are carrying on the anti-imperialist struggle against the Colossus of the North by poisoning its citizenry.

Lying in my stateroom, looking up at framed letters of marque, signed by Secretary of State James Monroe during the War of 1812, I wondered. If the U.S. is really serious about stopping the flow of cocaine, which has wreaked such havoc in our country, why doesn't it do the following: Let Congress declare a state of emergency and the President issue the statement that from this moment forward any vessel caught carrying cocaine into U.S. territory will be sunk at sea. Any plane originating from points south that has not filed a flight plan and that fails to respond to air traffic control instructions will be considered de facto to be carrying drugs and shot down. Period. My guess is that within 24 hours of the first sinking or the first air interception, no South American vessel carrying cocaine would be able to find a crew. And pilots who make such a good living flying cocaine into America would turn, quickly, to other means of gainful employment. If, to quote the above gentleman, this is war, then let him have a real one.

The next day, our last on the Amazon, Malcolm decided we would visit an Indian village. Back in the Donzi, we roared off down a narrow estuary. The current was incredibly swift, but what a sight it was: flights of toucans and macaws overhead, the screech of howler monkeys and a sound we'd become accustomed to in our side trips—loud, mysterious splashes behind the jungle cover.

It was here that Malcolm, upon being confronted with a dam of matted logs and weed, decided to try to roar over it. As we seesawed, stuck atop the dam, with deckhand Walt diligently—and bodily, in fact—laboring to free us, the extremely welcome sound of helicopter rotor blades was heard overhead.

Chuck Dixson, pilot of the *Highland Fling*, radioed down that we were up the wrong creek. A certain smile came over Malcolm's face as he hit the throttle, causing a great froth of brown water behind us. "But not without a paddle." With a whoosh we were free.

(Full disclosure: With a whoosh and a tow from the King of Greece, driving the *Virginian*'s tender.)

With the *Highland Fling* overhead, guiding us, we arrived at length at the little village of Novo Braca. By now I'd been thoroughly spooked by Leticia and the Cousteau cocaine documentary, and I frankly wondered at the spectacle we presented: two high-speed boats charging down a side river probably never visited by tourists, with a helicopter doing low *Apocalyse Now* swoops above us.

The villagers were welcoming. There was a crowd around the manioc pan. Manioc is a spurge that provides the staple of the Amazonian diet. It is mashed and cooked in a frying pan about six feet across, the grain then stored. Piglets rooted about, snorting up spillover. Practically every woman we saw carried an infant.

Christopher Buckley

Young Indians: The cans were the best

Two large green garbage bags with gifts were unloaded and distributed. I was amused that Kenneth, our chief steward, had included loaves of Brick Oven White Bread. What Woody Allen would make of that: "We are Americans. We bring you white bread. . . ." And cases of Pepsi and Mountain Dew were gone in two minutes, perhaps because the villagers would be anxious to use the most valuable part of it: the aluminum. They would make fishing lures, jewelry, small cutting edges. Their ingenuity would turn the aluminum to a hundred uses, while we, inhabitants of the Throwaway Culture, would toss it into the garbage without a second thought.

That night we had the *Virginian*s over for our last dinner. Our chef, Paul Acken, had by now fully recovered from the influenza that had felled him and others in the crew and was back in full voice, as it were. We began with a savory salmon mousse with herb and mustard sauces, then progressed to tender filets of veal in a hunter sauce, broccoli with hollandaise and grilled new potatoes. The wine was from *Highlander*'s cellar, a buttery Margaux '78.

(During the 1986 Fourth of July celebrating the rededication and hundredth anniversary of the Statue of Liberty, one of Malcolm's many guests aboard the *Highlander* was Madame Mitterrand, wife of the French president. She was shown the *Highlander*'s cellar full of celebrated Bordeaux but was clearly underwhelmed, smilingly commenting, "But I am from Burgundy.")

The now-familiar squeal of the bagpipes playing "The Green Hills of Tyrol" announced the arrival of dessert: a procession of chocolate sundaes, served in tall, authentic soda fountain dishes, with shaved chocolate and a maraschino cherry perfectly centered atop alpine swirls of whipped cream. Malcolm has a very sweet tooth and I admire his attitude toward cholesterol: More is more.

The toasts flowed with the champagne. It is hard to say thanks for an experience like going up the Amazon on the *Highlander* in such company, and soon the unavoidable clichés—"experience of a lifetime," "great host"— were flying over the stag antler candelabra. Archie rose and delivered a ceremonial poem he had written for the occasion. Malcolm stood and spoke movingly about his two royal guests, pointing out that it was one of the many ironies of the modern world that the restoration of democracy in Greece and Bulgaria depended on the restoration of the monarchies.

Simeon, a passionate man beneath his debonair exterior, rose, eyes glistening, to thank Malcolm for that serious note; after which Malcolm, though warm-blooded for a Scot, must have sensed that the evening was drifting, like the logs that had been bashing into our hull the last few days, toward sentimentality, and therefore rose to signal brandy and cigars, turning as he did with a wink to King Constantine and saying, "You see the advantages of owning the boat?" ■

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus Supplement and the related Prospectus.

New Issue / September 28, 1987

$2,375,133,000

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Sub-Class 1C	$170,185,000	6.33%	75.250%
Sub-Class 1D	$616,414,000	6.33%	67.150%

Class 2	Original Principal Amount	Pass-Through Rate	Price to Public
Sub-Class 2A	$105,198,000	6.83%	94.750%
Sub-Class 2B	$263,806,000	6.83%	78.500%
Sub-Class 2C	$283,842,000	6.83%	70.000%

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Sub-Class 3A	$153,896,000	7.33%	87.625%
Sub-Class 3B	$202,550,000	7.33%	73.250%

Class 4	Original Principal Amount	Pass-Through Rate	Price to Public
Sub-Class 4A	$135,436,000	8.33%	88.400%
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(Accrued interest from September 15, 1987)

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A PUBLICATION OF A

The Forbes/Wilshire 5000 Review

Edited by Steve Kichen

nd of the correction? Could be. The Dow industrials had een off as much as 230 points from their late August all-me high. "There wasn't a lot of money coming out when ıe market was going down," says Steven Goldstein, a ice president at New York-based Knight-Ridder Trade-enter. Goldstein's firm measures money flow by taking ock price times volume on upticks and subtracting ock price times volume on downticks. On Sept. 22 the ow posted a record 75-point advance, and this gain was generally sustained by trading during the rest of the week. According to Goldstein, the 75-point jump in the Dow also marked the fourth-highest peak in positive money flow into the market.

Although the market ended up in the loss column for the four-week and two-week periods, the major indexes finished the final week (ended Sept. 25) with small gains. The Dow was up 1.8%, the NYSE 1.6% and the Wilshire 1.3%. Both the Amex and the Nasdaq rose less than 0.3%.

Closeup On the Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[2]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	–2.2	–0.8	–2.6	–2.1	–1.5	–2.5
n last 52 weeks	33.1	36.1	45.2	33.7	35.3	25.7

Stock performance based on six key investor yardsticks

Percent change	Company size		Volatility[3]		P/E multiple		Dividend yield		Growth profile[4]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
n last 4 weeks	–2.4	0.6	1.6	–1.4	–1.6	–1.8	–2.2	1.0	0.5	–1.5	–1.8	–0.3
n last 52 weeks	33.3	53.9	77.5	24.2	35.2	19.7	10.9	69.1	71.5	21.9	30.5	44.7

ılshire index reflects price performance. It differs slightly from market value of outstanding stocks because of retirements of equity since index was created. [2]Based on sales. stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable. [4]A quantitative evaluation of a stock's wth image, determined by Wilshire Associates.

ıte: All data for periods ending 9/25/87. Prepared by Wilshire Associates, Santa Monica, Calif.

Gay French

Where the Action Is

Transportation, utilities and raw materials were the strongest sectors in a weak market. Transportation issues led with a 1.5% gain. Both utilities and raw materials rose 1.4%. Over the last 52 weeks the raw materials group shows the largest gain, an increase of 57.2%. This diverse group includes some service companies, such as Computer Sciences, as well as firms engaged in the mining of natural resources. Over the last two weeks the best stoc in this sector was Norton Co., which gained almost 15%

In contrast, the two consumer sectors fell more tha twice the market. Auto and auto-related stocks, such Genuine Parts, B.F. Goodrich, Champion Spark Plug ar auto-importer Subaru of America, lost between 7% ar 9%. Anticipated weak earnings knocked Gap down 39%

What the Analysts Think

Spotlight on raw materials. Security analysts continue to raise their 1987 earnings estimates for the raw materials group. Among stocks with upgraded forecasts are Commercial Metals, Inspiration Resources, NCH and In Smaller estimate increases were made for three otl sectors: capital goods, energy and utilities.

Forecasting the Forbes Sales 500

Performance period	Average earnings per share	P/E
latest 12 months	$2.31	20.8
1987 estimates	2.92	16.4
1988 estimates	3.78	12.7

Rank based on change in estimate	Sector	Estimated 1987 EPS	Estimated 1987 P/E	% change in 1987 estim in 2 weeks	% change in 1987 estim in 4 weel
1	Raw materials	$2.33	18.1	0.32%	1.25%
2	Capital goods	2.08	22.0	0.12	0.51
3	Energy	2.36	18.5	0.04	0.82
4	Utilities	2.43	10.9	0.01	0.00
5	Consumer durables	4.31	13.9	–0.08	0.17
6	Consumer nondurables	2.32	18.3	–0.18	–0.15
7	Technology	2.47	18.5	–0.30	–0.48
8	Finance	1.74	19.2	–1.12	–3.40
9	Transportation	2.19	17.1	–1.20	–1.60

Earnings projections are capitalization-weighted consensus estimates from over 2,000 security analysts. Data are compiled and updated continually by the Institutional Br Estimate System (IBES), a service of Lynch, Jones & Ryan, a New York-based brokerage firm.

Note: All data for periods ending 9/25/87. Prepared by Wilshire Associates, Santa Monica, Calif. IBES, a service of Lynch, Jones & Ryan, New York

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On paper, Value Line's performance in picking stocks is nothing short of dazzling. For an investor to capitalize on that performance is a different matter.

Paying the piper

By William Baldwin

VALUE LINE, INC., publishes the *Value Line Investment Survey*, that handy review of 1,652 companies. Each week the survey rates stocks from I (best buys) to V (worst). Can you beat the market following these rankings? Value Line tracks the performance of Group I from April 1965, when a new ranking formula went into effect. If you bought Group I then and updated your list every week, you would have a gain of 15,391% by June 30. That means $10,000 would have grown to about $1.5 million, dividends excluded. The market is up only 245% since 1965, dividends excluded.

Quite an impressive record. There is only one flaw: It ignores transacti costs. Do transaction costs mu matter against a peformance li that? What does the investor lose transaction costs? A percentage poi a year? Two percent?

None other than Value Line pr vides an answer to this question, a the answer is almost as startling the paper performance. Since la 1983 Value Line has run a mutu fund that attempts to track Grou precisely. Its return has averaged dismal 11 percentage points a ye worse than the hypothetical resu for Group I. The fund hasn't even ke up with the market *(see chart, p. 21*

What went wrong? "Inefficienci and costs of implementation," sa Mark Tavel, manager of the fund, V ue Line Centurion.

This is not to denigrate Value Lin undeniably impressive stock-picki record. Far from it: One of the fun run for Value Line by Tavel, Lev aged Growth Investors, shines FORBES' mutual fund honor roll. (I veraged Growth and the flagship V ue Line Fund use the ranking syste but not as closely as Centurion.)

The point here is to illustrate t folly of constant trading. It's a fam iar story, but one that investors prone to forget in the middle of a b market. It costs money to run t racetrack, and the fellow who steps to the betting window pays. W Street's revenues top $50 billion year. People who trade pay the b and people who try to beat the marl with a lot of trading pay dearly.

The Value Line Centurion Fun turnover is 200% a year. That's qu a bit of turnover—although by means the highest in the busine The turnover is high because in a ty cal week, 4 of the 100 Group I sto drop down in rank and have to replaced with new Group I stocks. not impossible for traders like Cen rion to beat the market, but they st out with a handicap.

All of which means that paper p formance can be pretty fancil "Anytime hypothetical returns are fered as proof of a particular invest style, one should also swallow a la grain of salt," says Cam Schmidt Potomac Investment Managemen money manager in Bethesda, Md. t brought the Value Line discrepancy FORBES' attention.

What are these inefficiencies costs? And what do they tell invest about the perils of in-and-out tradi

Fund overhead is not a big item. the $244 million Centurion, whicl available only through variable and annuity policies sold by Guard

Value Line's Mark Tavel and Samuel Eisenstadt
"Everyone's playing this earnings surprise game now."

Peak Performance.

Growth Investors

Illustration of an Assumed Investment of $10,000

Total value on June 30, 1987
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Cost on June 30, 1977
$10,000

1977 **28.5%** 1987

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* Figures reflect performance of Twentieth Century's Growth Investors from June 30, 1977, to June 30, 1987. Illustration assumes reinvestment of capital gains and investment income distributions. These figures supplement those found in the current annual report. They illustrate past performance and are not projections for the future.

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Life, the annual expense ratio averages 0.6%. Nor are brokerage commissions large. Funneled at about 5 cents a share mostly to a captive Value Line broker, commissions eat up 0.4% of Centurion's assets per year.

So far we have 1%. Where's the other 10% of the shortfall? Bid-ask spreads, for one. A stock quoted at 39 to sellers might cost a buyer 39½—or even 41 or 42 if the buyer wants a lot of it. With about 95 of the 100 Group I stocks at any given time in the Centurion portfolio, Tavel needs to amass an average $2.5 million position in each. Some of these companies have $150 million or less in outstanding shares. The very smallest Tavel doesn't even try to buy.

Timing explains some of the gulf between hypothetical and actual results. The hypothetical performance assumes a purchase at the Wednesday close before publication of the new rankings. Most subscribers get their surveys on Friday morning, however, and buy at the Friday opening—if they are lucky. An internal Value Line rule forbids the funds to act on rank changes before Friday morning.

Why, then, are Wednesday prices used in the performance claims? Because, says Samuel Eisenstadt, Value Line's chief of statistics, until recently that was all Value Line had in its database. Wednesday prices were gathered because it takes nine days to compute, print and mail the results. The hypothetical buy, then, would come a week after the closing prices used to calculate the rankings, and a day and a half before a real buyer could act on the advice. Eisenstadt says a conversion to Friday night scoring is under way, and will no doubt depress reported performance.

A day makes all the difference. A 1985 study by Scott Stickel, now an assistant professor at Wharton, showed that almost all of the excess return on a Group I stock is concentrated on three days, almost evenly divided: the Friday when subscribers read about the stock's being promoted into Group I, the Thursday before and the Monday following. Wait until Tuesday to buy and you might as well not subscribe.

Why are prices moving up on Thursday, the day before publication? Eisenstadt suspects the Postal Service of acting with uncharacteristic efficiency in some parts of the country, giving a few subscribers an early start. Another reason for an uptick: Enough is known about the Value Line formula for smart investors to anticipate a rank change by a few days *(see box)*. The trick is to watch Group II (near-top) stocks closely. If a quarterly earnings report comes in far better than the forecast published in *Value Line*, grab the stock. "What happens if you're wrong? You're stuck with a Group II stock with terrific earnings," says Eisenstadt.

Come Friday at 9:30 a.m., the throng is at the starting gate. Tavel says he often gets only a small portion of his position established before the price starts to run away from him. How are the individual investors faring? Probably no better. True, a 200-share order is not by itself going to move the market the way Tavel's 20,000-share order will. But if both orders arrive at the opening bell, the small investor is in no position to get a good price. Individuals aren't paying the fund overhead, but then they pay higher commissions than Tavel.

What of the future? Value Line's magic was built on its computer's quick response to favorable earnings reports. Now computers are nothing special. Significantly, they're becoming a lot more common among individual investors, the people who buy the small-cap stocks where the ranking system has shown its strength. Eisenstadt concedes: "Everyone is playing this earnings surprise game now." But he insists that there's no firm evidence yet that the ranking system is falling apart.

Even if the ranking system loses some of its effectiveness, however, it would be premature to write off Value Line, which trades over-the-counter near 27. Many of the survey's 120,000 subscribers pay $495 a year just to get the detailed financial histories of the companies in it. Indeed, considering that subscriptions are on the upswing and that it costs maybe $50 to print and mail one, favorable earnings surprises may be in store. If you don't like the horses, buy stock in the track. ■

Paper profits

Value Line's hypothetical Group I has beaten the market since 1984. But not its funds.

Value Line's formula

Value Line's performance record is all the more remarkable for the fact that next to no human judgment goes into it. Ranks are based on mechanical formulas that Samuel Eisenstadt, the company's chief statistician for the past 41 years, discovered in 1965.

Surprisingly, Value Line doesn't go to great lengths to keep the formula a secret. The backbone of the system is spelled out in a subscriber's guide. Eisenstadt, 65, volunteers still more details to visitors.

In essence, Value Line capitalizes on the fact that the market is slow in reacting to favorable earnings reports. Value in the traditional sense doesn't enter the equations, although stocks with price/earnings ratios high in relation both to the market's P/E and to their own historical P/Es tend to get low ranks. Bonus points are awarded for upward price or earnings momentum and for favorable earnings surprises. The rules are clear enough that subscribers can anticipate rank changes *(see story)*. Canny investors focus on small companies, where rank upgrades have almost all their impact.

The ranking system aims to predict short-term performance. In addition, Value Line since 1952 has published forecasts of prices 3 to 5 years out; here, staff analysts' judgments play a large role. The humans are more fallible than the computers. FORBES took a random sample of 85 long-term forecasts made in mid-September 1983, and tracked the stocks' performance over the next four years. Results: The 42 stocks predicted to perform the best are up an average 73%; the 43 worst, an average 74%.—**W.B.**

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Bonds of some issuers once thought to be basket cases are now drawing attention. Is this where the big returns will be made?

WONDERS NEVER CEASE

By Ben Weberman

Bond buyers have come to be wary of acronyms. I'm thinking of WPPSS, for Washington Public Power Supply System, better known as Whoops. Then there's SMUD, for Sacramento Municipal Utility District. Both these issuers are suffering nuclear plant blues.

But where there is fear there is money to be made. Go back to 1938, when the Depression was ending. Bonds of failed railroads were trading at pennies on the dollar. The rails recovered—with the help of World War II—and many of these failed bonds moved to a premium over par.

Now the action is in failed power plants. Both WPPSS and SMUD have outstanding billions of dollars in tax-free bonds with intriguing potential—and, of course, more than their share of investment risks.

WPPSS has $8.35 billion (par value) of bonds outstanding, of which $2.25 billion was raised to finance Projects 4 and 5. The 4 and 5 bonds are in default. The WPPSS Project 1, 2 and 3 bonds are not—indeed, some are trading at a premium.

Project 1, 2 and 3 bonds are backed (via a power purchase contract) by the financially strong Bonneville Power Administration, a federal agency. Moreover, generating facilities at these projects are completed or near completion.

Project 2 is the soundest. Construction work is done and the plant is operating. Work on 1 and 3 has been halted although both are well along toward completion. Project 1 may be converted into a weapons reactor. Studies show this would be cheaper than starting a new nuclear facility from scratch. Project 3 is 65% finished.

The key question on WPPSS 1, 2 and 3 bonds is the coupon. Bonds with coupons near 7% are trading at discounts deep enough to provide a 9.2% yield to maturity. High-coupon issues trade at premiums narrow enough to provide a yield to maturity of more like 11%. There's a reason for the wide difference in yields. The high-coupon issues could be called unexpectedly at close to par—possibly in three or four years—providing a windfall loss for the holder who pays a premium. As an example, the 14¾% bonds of Project 1 that are due in 2017 trade around 122 to yield 12% to maturity (if, of couse, they last that long without being called).

Conservative investors seek out the low-coupon issues. Three such issues, the 6.8s of Project 1 due 2017, 6⅞s of Project 2 due 2012 and 6.4s of Project 3 due 2018 are all priced to yield about 9.2% to maturity. (Those prices come out in a range from 71 to 77½.)

It's possible that a refinancing would result in an early call of not only the premium bonds but even some of the discount bonds. That would boost the total return on the discount bonds to well above 9%. Such a hope is the only consideration that makes the discount bonds appealing. After all, there is some risk of unfavorable surprises—such as watching the Projects 1, 2 and 3 get pulled into the litigation mess or having some purchase contracts invalidated.

Projects 4 and 5 are another proposition altogether. These plants aren't anywhere near completion and may never be. As for the financial backing, that is—or was—from an assortment of municipal utilities in the state of Washington that signed power contracts. The Washington State Supreme Court has allowed those municipal buyers to walk away from the contracts.

Result: WPPSS Project 4 and 5 bonds today trade at 12½ to 13½ cents on the dollar. They pay no interest. There is little hope of resumption of interest. The play is in a possible sale of plants and court awards from class actions filed against just about everyone who was ever linked to the utility. So far some securities firms have agreed to chip in $92 million, although that is only a drop in the bucket.

Why are the defaulted bonds even going for 13 cents on the dollar? There are hopes—albeit dim—of a refinancing as soon as 1990 that would leave bondholders with more than a few crumbs. The notion here is that power demand resumes its growth and a new agency takes over the plants. The new owner may have to refinance defaulted bonds to clear the decks. Further class action settlements would add to the pot.

What about the California nuke bonds? SMUD is being drained financially by a shutdown of its wholly owned Rancho Seco nuclear power station two years ago. Rated AA in late 1985, the $1.4 billion of SMUD bonds are now in BBB territory. But interest in these bonds has been aroused by a preliminary offer from Pacific Gas & Electric to buy back the company—probably without the nuclear facility. Simultaneously, Duke Power of North Carolina has said it is interested only in Rancho Seco.

Takeover by an investor-owned utility might cause the municipal district's low coupon issues—such as the 7s of 2004 and 7⅛s of 2011—to turn into AAA quality issues. That's because the bonds could be "escrowed to maturity," meaning that they would be collateralized by Treasurys. ■

Ben Weberman is a senior editor of FORBES *magazine.*

For lots of apparent reasons, the bull market has left the utilities behind this year. Which is exactly why the group interests some contrarians.

BEAM ME UP, SCOTTY

By Susan Lee

With interest rates edging up and inflation rates simmering, most money managers won't even touch a disinflationary stock like an electric utility. No wonder, then, that while the Dow industrials are still more than 30% ahead through September, the Dow Jones Utility Average is actually down for the last nine months. The bull market has left them in the dust.

Most money runners I talk with sound like Roger Hamilton of Wall, Patterson, Hamilton & Allen. In 1986 Hamilton had 35% of his portfolio in utilities. He sold all of them when he saw the bond market peaking and put the profits into cyclicals and oils. And now? He says he has no plans even to look at a utility stock. Indeed, pessimism runs so deep that, quite literally, the nicest comment I got from the utility bears was one from Edward Babbitt of Avatar Associates. He said that while he wasn't buying any, he didn't plan to sell the three he had been holding since 1985, either.

But there's a contrarian case. A good one, and part of it rests on new reasons to be interested in the utility industry.

First, utilities may no longer be so sensitive to rising interest rates, since many have become cash generators rather than cash users. With most of the giant construction programs of the past decade finished, utilities are neither using their own funds nor borrowing. In addition, with rates down, they have been replacing their high-coupon debt with lower-coupon debt.

Moreover, the industry is ripe for a period of takeovers and mergers. Not only has all this cash made many utilities takeover targets for nonutility types, but deregulation is coming at a time of overcapacity.

Finally, utility stocks have sunk low enough to excite bottom fishers—and others. What's not to like about stocks whose P/E relative to the market is the lowest since World War II, and whose dividend yields are 7.5% to 8%? (Yields could, of course, get juicier as utilities off-load their cash to make themselves less attractive takeover candidates.)

What are these contrarians buying? A lot of them are hot for Allegheny Power System, a coal-based utility serving Pennsylvania, West Virginia and Maryland; and Southern California Edison, which is not only diversifying into cogeneration projects but also into nonregulated businesses such as land development and engineering. Other names I hear are Cilcorp, the holding company for Central Illinois Light, which supplies both electricity and gas to central Illinois; and Duke Power, a coal and nuclear company serving North and South Carolina.

Are the contrarians too early? Maybe. But, as John McCabe of Dorsett McCabe says, "With money managers basically underperforming, you almost have to bet against them; they are all talking technology, office equipment and capital goods, while we are going after the utilities." Even if it's a bit early to be buying the stocks, McCabe isn't worried. He says he's not in the one-year performance derby, but looking to make a record over three years.

McCabe loves utilities not only because the stocks have been hammered down but because he thinks inflation won't be as severe as some anticipate. He is looking for utilities where unit demand can accelerate, such as Boston Edison and American Electric Power, the holding company serving parts of the Midwest and South.

Ditto for Dan Cashman of Cashman, Farrell & Associates, who has been selling oils and putting the money in stocks that have underperformed the market and whose multiples put them in the bottom 40% of all stocks.

Cashman is scarfing down utilities with high free cash flows: Northern Indiana Public Service, for example, is selling at three times cash flow. No question the company had a bad last year, but, says Cashman, the coal-based utility is rolling back its capital expenditures and has reinstated its dividend, which had been suspended in 1985. Indeed, he anticipates that Northern Indiana will increase its dividend to push up its stock price in order to avoid a takeover. He also owns Northeast Utilities, the holding company servicing chunks of Connecticut and Massachusetts. And he's been buying Atlantic City Electric because he thinks it's a good takeover bet.

By the way, I couldn't find anybody who was playing the utility industry's longest shot, Public Service of New Hampshire.

Overall, though, Cashman has 15% of his portfolio in utilities. How does it feel to be betting against the consensus? "It's tough on the stomach, but if you want outstanding results, you can't be like everyone else," he says. "We make all our money buying these down-at-the-heels stocks that other people loathe."

Note this: The handful of utility mavens are not out to park their cash in a safe place—the traditional reason for buying utilities. They are making a bet that what's down-and-out will, eventually, come roaring back. Eventually. ■

Susan Lee is a senior editor of FORBES *magazine.*

There are still good values available in big-capitalization stocks, but this is no time to go overboard on anything.

BIG, MEDIUM OR SMALL CAP?

By David Dreman

The market move has been overwhelmingly in the stocks of large companies. If you want to make money now, there is nothing to do but downsize the stocks you own. That's now the prevalent thinking. Even a money manager I respect recently wrote, "Big companies selling at low price/earnings ratios have become virtually extinct."

I disagree, and I believe the numbers bear me out. As a whole, the big-cap stocks are no dearer than medium- or small-cap ones.

This pro used a tough definition of what constitutes big-cap value (S&P 500 stocks with a P/E under 10, with current liabilities 1.6 to 1 or higher and debt less than equity). Only a few large caps passed his test. He concluded that medium-cap stocks were the only game in town.

To start with, a P/E of 10 is very cheap in almost any market, regardless of a company's size, normally putting the stock in the bottom 20% of all P/E ratios. So let's look at some screens of large, medium-size and small companies of the S&P 500 to see where the low-P/E stocks—if any—are. I made the cut-off June 30, the same period covered by the manager. (The traditional division between big caps and medium ones is $1 billion; between medium and small caps $100 million.)

Using Salomon Brothers Stock Fax database, we asked our computer to spit out the companies that met the manager's standards. There were no more medium-size stocks that met his criteria than large ones—and only one small one.

Next, we asked the computer to list all companies with P/E ratios of 10 or less. First the big caps. Out came 40 companies. (I recommend companies with P/Es of up to 14, since this is still a substantial discount to the market. There were 81 in this group.)

And how many medium-size companies were under a P/E of 10? Try nine. And how many small ones? Only one. So much for the argument that medium- and small-cap stocks are the only bargains left.

Taking the study a step further still, we used a broader index, the Value Line 1700, to test if greater value lingered in medium-size companies. Once more we asked our computer to sort out large and medium stocks with P/Es under 10. With the broader sample it was more of a horse race. Sixty-six big-cap stocks vs. 72 medium-size ones.

The fact is, there are still bargains in all size stocks: big caps, medium caps and small caps.

Most people think the gains in this bull market have been concentrated in big capitalization stocks. Not so. A *Financial Weekly* compilation of the P/E composite of companies on the New York and American stock exchanges and the over-the-counter market shows that all three markets have roughly similar P/Es. As of Sept. 14 the composite ratio was 16.0, that of the NYSE stocks 16.3, the o-t-c 16.0 and the ASE 15.5. The large companies have only a minute price/earnings premium. And when you consider the stronger underlying fundamentals of those stocks, the differential disappears entirely.

As for performance, as of June 30 the S&P 500 was up 27.3%, compared with 29.6% for the Amex, 42% for the Hambrecht & Quist Technology Index and 23.6% for the Over-The-Counter Index.

What many experts overlook is that for a long period, from the mid-1970s to mid-1983, small and medium-size caps were valued at significantly higher P/Es than the larger ones. That was the heyday of emerging growth companies, technology stocks and other small caps. The current valuation of large caps has simply caught up with where they have traditionally traded relative to medium-size and smaller companies—nothing more.

Am I saying the market is cheap? Certainly not. I am only pointing out that there are still some solid values out there, including some in big-cap stocks. A few big-cap suggestions: *St. Paul Cos., Ohio Casualty, American Express, Ford, Chrysler, General Dynamics.*

If you have spare cash, these are stocks to consider, but don't go overboard. At this stage of the market, as I warned in my last column, you should be very careful, regardless of a company's size. All stocks are getting more fully priced. The market simply has moved up too quickly in recent months.

Remember, we are in the sixth year of a bull market that has not had a 10% correction. Even in the current shaky market, the correction to date has been only 6%. This advance has no historical precedent. Even the Great Postwar Bull Market of 1949-65 had reverses of 10% to 15% in the first few years. P/Es have moved up from levels that were historically cheap in the Seventies and early Eighties to a range somewhat above long-term norms.

So, pocket some of your equity profits now and build up your cash reserves to the 20% level. If the market turns and moves up again, raise more cash. If we do see a sharp correction, as I expect, your funds on the sidelines will find some exceptional values. ■

David Dreman is managing director of Dreman Value Management Inc., Investment Counsel, New York, and author of The New Contrarian Investment Strategy.

What Mae West thought was true about sex doesn't apply to the stock market.

MORE IS NOT BETTER

By Mark Hulbert

Mae West once remarked that too much of a good thing is wonderful. But I'm not sure this applies to investment strategy.

For example, over the last several years the hottest game in the investment newsletter town has been advice on when to switch into and out of the market, using those families of mutual funds that offer a telephone switch privilege.

An important component of telephone switching, of course, is the selection of which fund to employ, since different funds perform differently in varying market conditions. But there is also a pure market timing component. It is extremely difficult to time the market sufficiently well to beat a buy-and-hold approach in the long run, but my research suggests that it can be done *(see Oct. 5 column).*

Isn't it healthy, then, for investors to seek frequent doses of this kind of advice—and for market letters to offer it? No. My work shows clearly that too-frequent switching is counterproductive. To the extent that market timing adds value to a buy-and-hold strategy, the point of diminishing returns is reached very quickly. If one switch a year works well, three switches a year won't necessarily work three times as well. To the contrary, they may work only one-third as well or, worse, not at all.

The evidence for this conclusion comes from the *Hulbert Financial Digest*'s compilation of newsletters' pure timing records—that is, not including their actual fund selections—over the past seven years.

Against each newsletter's gain from pure timing, we compared the number of switches recommended during those seven years. The strategies that did the best job of timing the market were among the ones with the fewest number of switches.

A standout in this regard is the pure timing advice for "inactive investors" contained in Jay Schabacker's *Switch Fund Advisory*. According to my calculations, an investor who bought hypothetical shares of the NYSE Composite Index when Schabacker advised being in the market, and who earned the T bill rate when out of it, would have gained some 282.5% over the period from June 1980 through June of this year. A static buy-and-hold strategy, in contrast, would have achieved a 162.2% gain. This extra 80% earned by timing the market was achieved with just two switches during the seven years.

Another standout was the Technical Market Index of Robert Nurock's *Astute Investor*. This indicator has recommended just four switches in the last seven years. My pure timing scoreboard shows it to have gained 301.5%—slightly more than *Switch Fund Advisory*.

Among the newsletters we have tracked continuously for seven years, no other pure timing strategies come close to these gains—regardless of how many switches they have recommended.

In fact, the pure timing strategies that recommended the greatest number of switches did the worst. The record number of switch signals among the group of newsletters followed by *HFD* over the seven-year period came from Stan Weinstein's *Professional Tape Reader*. According to my count, Weinstein's pure timing advice for mutual fund investors involved more than 30 switches over these seven years. Yet I calculate that an investor would have gained just 92.1% following these switches, the poorest of any of the timing services I follow and sharply below the return from buy-and-hold.

The pure timing strategy with the second greatest number of switches was the "short term" trading signals issued by James Dines' *The Dines Letter*. This involved 22 switches during those seven years, resulting in a 152.4% gain—better than Weinstein but still second worst, and behind a simple buy-and-hold.

The pure timing strategy with the third greatest number of switches was Robert Prechter's *Elliott Wave Theorist*. And here things were different. Prechter's advice for "investors" involved 17 switches during the seven-year period and achieved a gain of 203.1%. This is better than a buy-and-hold, although it is still behind the more stoical strategies that lead the pack.

Ironically, this "less can be more" pattern sometimes emerges for the same adviser. Since the beginning of 1985 my service has been tracking the timing performance of two strategies recommended by Prechter: In addition to his advice for "investors," he suggests a more active trading strategy for "traders." Over the past 32 months, Prechter's advice for traders has involved almost twice as many switches (7 vs. 4) but actually has underperformed his advice for investors (99.0% vs. 105.6%). These two were the only pure timing strategies to beat the market during the stock market explosion in that period.

The conclusion is pretty clear: Trying to catch the small swings is usually self-defeating. If you are going to try timing the market—or following someone who does—more is not better. ■

Mark Hulbert is the editor of the Washington, D.C.-based Hulbert Financial Digest.

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Edited by Thomas Jaffe

Alberto's A's and B's

When Alberto-Culver Co., maker of VO5 hair care products, failed in its hostile bid for Lamaur, Inc., Alberto's stock dropped. Recent NYSE price of the Class A and B shares: 20¾ and 24¼, respectively.

Oversold, says E.F. Hutton analyst Lynne Hyman, who thinks $500 million (estimated fiscal 1987 sales) Alberto will still achieve 20% compound earnings growth over the next two to three years. For the fiscal year ended Sept. 30, she figures Alberto earned $1.25 a share. She's looking for $1.60 a share this year.

What Hyman likes is not Alberto's hair care products but Sally Beauty, a chain of 475 company-owned stores that sell beauty supplies to professionals. In fiscal 1987 Sally accounted for about 30% of Alberto's profits on some 33% of sales.

Sally is strictly a cash-and-carry business—no receivables. Same-store growth has run about 15% to 20%; new stores typically turn profitable within nine months. Last fiscal year Alberto opened 70 Sallys. This year it plans to open at least 100. Yet the possibilities for expansion remain enormous because Sally is only in around half the states.

Alberto's equity capital structure is, unfortunately, a little complicated. There are 8.7 million Class B shares and 5.2 million Class A shares. The A's trade at a discount of around 17% from the B's because there are fewer A shares, and the A's carry one-tenth the voting rights of the B shares.

But Hyman currently favors the A shares. Here's why: The Lavin family, led by Chairman Leonard Lavin, controls 43% of the total votes but is reducing its control. In two of the last three years Alberto has split its stock in January, and has said that in the future this will be done through the distribution of A shares. So over time, Hyman says, the A stock's discount should disappear.—**T.J.**

Chameleon bond

An odd little security aimed at international investors nervous about the dollar's long-term prospects is now being actively traded in London. It is Inco's 15.75% 2006 Unsecured Loan Stock, a £25 million bond issued by Canada's big nickel mining company. Issued in 1981, it is now selling at 28 points above par and yielding 12%, payable in sterling.

The interesting thing about the issue, according to Mark Brett, an economist with Barclays de Zoete Wedd in London, is that holders have the option of redeeming their principal at maturity in either dollars or, if the dollar collapses, in pounds. If the dollar falls below $1.98 per pound—an implicit depreciation of 1% a year over the next 20 years—then holders will be able to redeem in pounds, making an exchange gain on their dollars. During the last 20 years, the dollar has been as low as $2.80 to the pound and as high as $1.03. In effect, then, investors are offered a 20-year currency option paying 12%. (Moody's rates the bond Ba1, one notch below investment grade.) The issue is too small and too far away for Streetwalker's readers to take seriously. But if it catches on in London, expect Wall Street to come out with copycat products.—**Peter Fuhrman**

Shot in the arm

The West Co. of Phoenixville, Pa. is the world's largest producer of packaging components and systems for the drug industry. Hit badly by changes in Medicare reimbursement, West's sales were flat from 1983 to 1985. Then the West and Wike families, who ran the company from 1923 to 1985 and who still control about 30% of the 16.2 million Big Board shares, elected Rene Guerster chief executive officer. Guerster quickly closed four U.S. plants, bought majority control of five European subsidiaries, and started up new plants in North Carolina, Pennsylvania and Puerto Rico.

Craig Dickson of Charlotte's Interstate Securities likes the job Guerster, 49, is doing. He points out that West supplies an estimated 85% of the metal seals used in injectable drug bottles, as well as some 70% of the rubber stoppers. (Its share in plastic caps and glass bottles is much smaller, but growing.) These markets account for roughly half of West's sales ($236 million last year). The attempt to control health-care spending, Dickson observes, has resulted in "higher intensity" care by hospitals, which has been accompanied by a higher rate of injectable drug use.

Paul Kopp

Stopper and seal by West
Biotech helps, too.

Biotechnology-produced drugs Dickson adds, should also help expand the injectable market. All th current ones, such as insulin an growth hormone, as well as the mos promising—TPA for the heart an EPO for kidney dialysis patients—ar too delicate for oral ingestion. Wes also is manufacturing the proprietar applicator for Upjohn's hair restora tion drug Rogaine, still awaiting ap proval for sale in the U.S.

Dickson looks for earnings to ris 18% this year, to $1.20 a share, the tack on a 17% gain, to $1.40 a shar in 1988. Recent price: 19¼.—**T.J.**

Doors, and windows, of opportunity

Several readers have recently r modeled their homes, at conside able expense, and ask Streetwalke Isn't there a novel way to play th growing home-improvement marke One possibility is Oshkosh, Wis based Morgan Products Ltd.

Morgan makes premium woo doors, fireplace mantels and stairwa for both residential and small com mercial buildings. It operates 11 di tribution centers from West Chica to Alexandria, Va. that carry Morgan own products as well as others'—i cluding Andersen Corp.'s highly r garded vinyl-clad wood window sy tems. To meet growing demand, $3 million (1986 sales) Morgan has add a new plant in Lexington, N.C. to i others in Wisconsin, Oregon and Ca fornia. It also acquired, last year, Sha ta Millwork and Nicolai Co., a leadi wood door maker.

Given a continued decent econon and steady interest rates, analyst St phen Keane of Milwaukee's Robe W. Baird & Co. thinks Morgan w

arn $1.95 a share this year, up almost 0%, and $2.45 a share in 1988 (adsting for a secondary offering of 1.84 illion shares this June). So even ough the shares, recently 29¼ on he o-t-c, have already climbed 63% his year, the stock is still selling at 12 mes Keane's 1988 estimate—no barain, but not outrageous in this mart. There are nearly 8.4 million comon shares outstanding, about 29% them owned by Saugatuck Capital o., a limited partnership.—T.J.

ust belt belle

uriron Co., the Dayton, Ohio-based manufacturer of corrosionsistant equipment, is the quintesntial rust belt company. Duriron 986 sales, $144 million) makes evything from centrifugal pumps to pes and filters and sells them to mpanies that produce, handle or spose of process and waste fluids. his is a highly competitive business; les have pretty much been flat in e Eighties. Increased insurance lility premiums also hurt. Last year rnings fell 41%—to 50 cents a are—despite a big extraordinary n from accounting changes. Curisly, though, the stock was recently ding at 17½ o-t-c, a high level not n since the early Eighties.

ean-Pierre Conreur of New York's cqueville Asset Management exins that Duriron is regaining motum. It is moving beyond its traional markets—the chemical, fer zer and oil and gas industries—into w ones such as paper, food and bevges. It has reduced its employment ls by about one-third, closed about e-third of its foundry capacity and dernized the remainder. In March paid $25 million for $30 million es) Valtek, a respected producer of omatic control valves. This should p to broaden the product line and st production efficiency.

Most of these positive developnts have yet to show up in earns. Conreur is looking for no more n 70 cents a share this year, on a s increase to $180 million. But the erage certainly is there, and he ks that Duriron could earn at t $1.14 a share next year, and nd $2 a share three years out. er players seem to agree. Of the 7 lion shares outstanding, Transrica Corp. owns 12.1%; two intment partnerships, LSRM Capital Snyder McAlaine & Castle, jointwn 5.1%; and Value Investors has ther 5.2%.—T.J.

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"The more things change. . . ."
Items from past issues of FORBES

ixty years ago in FORBES

rom the issue of October 15, 1927)

President Coolidge didn't take one ul into his confidence before an- uncing his famous 'I do not choose run' statement. Even Mrs. Coolidge as kept entirely in the dark. Frank . Stearns, Mr. Coolidge's closest end for many years, got the news st from the newspapers. Although wight W. Morrow, ambassador-elect Mexico, has frequently been invit- to confer with the President, he kewise had no inkling of the Presi- nt's intention."

When the single-engined monoplane *ide of Detroit* winged its way into the ing sun of the Yellow Sea, it left ina as air-conscious as the U.S. was er Lindbergh's triumph. Edward F. hlee and William S. Brock, the pilots, re given a warm reception in Shang- i. Hundreds of Japanese airmen armed about them on their arrival at e Kasumigaura airfield to congratu- e them on their successful flight of 295 miles from America in 19 days. l Asia is becoming air-minded."

olley operators like New Jersey blic Service add buses to the mix

ty years ago

m the issue of October 15, 1937)

r generations the rhythm of the s has been celebrated in song, story poem. But the silence of air-con- oned cars has dealt it a heavy w. And now comes the welded,

Preparing welded rail sections for use

jointless rail—an idea less spectacular than the streamlined train but one which may become just as fundamentally important. For the jointless rail puts a permanent end to the rhythmic clickety-clack of the wheels."

"Since the low point of the Depression in 1933 and up to June 1937, the cost of living has advanced 18.7%. Food prices have increased 30.1% and housing is higher by 35.7%."

"The need for more bridges and for more highways catering to automotive traffic is such that there is likely to be demanded gigantic expenditures for additional facilities of this nature. . . . May it not be that municipal and other political authorities will see vast potentialities in inaugurating bridge building and road building designed to accommodate motorists, both commercial and passenger?"

Twenty-five years ago

(From the issue of October 15, 1962)

"So fast and accurate can computerized controls become, [IBM's Arthur] Watson said, that they can be misused and become 'an instrument of stultification in business.' Then he posed an intriguing paradox. If IBM's own controls had been more sophisticated, Watson declared, IBM itself probably would have lost the great discovery which became the heart of IBM's random access computers: the memory unit. 'It was developed in one of our laboratories as a bootleg project,' said Watson. He went on to praise the courageous handful of men who risked their jobs with the company to disregard a management order to stop developing the device. . . ."

"Imported human hair is rising sharply in price because wigs have gone to more U.S. women's heads. Wigmakers report an increase in cost of 200% to 300% in just the last year or so. The price of wigs made of human hair from Italy has jumped some 30% since June 1. The best hair is from Italy, much of it from convents."

Ten years ago

(From the issue of October 15, 1977)

"It's now time that we officially 'recognize' that China is China, Taiwan is Taiwan. The Japanese have shown the way to do it. They no longer diplomatically recognize Taiwan as China; but they continue their sizable, mutually beneficial trade relationship. So should we."

—Malcolm Forbes

Thinning trees with hydraulic shears

"In Oregon's Siuslaw National Forest, century-old Douglas fir tower over the quiet forest trails and clear-running streams. The forest products and paper industry would dearly love to get its hands on some of these trees. The environmentalists are determined to stop it. Somewhere between profits and poetry stands the Forest Service, whose job it is to manage the 92 million acres of commercial forest land in the National Forest System. Environmentalists to the contrary, cutting fewer trees does not necessarily benefit the forests and the people who use them for recreation."

Thoughts
on the Business of Life

The mind can only create errors. Truths are not created, they exist; one can only see them, disentangle them, discover them and expose them.
JOSEPH JOUBERT

Nothing in this world can one imagine beforehand, not the least thing. Everything is made up of so many unique particulars that cannot be foreseen.
RAINER MARIA RILKE

The only thing that consoles man for the stupid things he does is the praise he always gives himself for doing them.
OSCAR WILDE

The wise man avoids evil by anticipating it.
PUBLILIUS SYRUS

I do not believe in a fate that falls on men however they act; but I do believe in a fate that falls on them unless they act.
G.K. CHESTERTON

The finest plans are often spoiled through the pettiness of those who are supposed to carry them out, since even emperors can do nothing without the support of their soldiers and hangers-on.
BERTOLT BRECHT

In each action we must look beyond the action at our past, present and future state, and at others whom it affects, and see the relations of all those things. And then we shall be very cautious.
BLAISE PASCAL

In fair weather prepare for foul.
THOMAS FULLER

The prudent man does himself good: the virtuous man does it to other men.
VOLTAIRE

The fate of a ship caught and tossed in a fierce storm may be less dependent upon the seamanship of the captain than upon the original soundness or rottenness of some hidden beam used by a shipworker, upon the flawlessness or faultiness of some obscure stanchion when rolled in a steel mill, upon the carefulness or carelessness with which a few nails or rivets had been driven when the ship was being built. The life or death of the ship and all her precious human freight may hang on the delinquency of one man at some moment years before.
B.C. FORBES

Preparation gives more hope than it brings with it. A man doth often strip himself into his doublet, to leap shorter than he did in his gown.
MICHEL DE MONTAIGNE

How can we be so willfully blind as to look for causes in nature, when nature herself is an effect?
JOSEPH DE MAISTRE

Logical consequences are the scarecrows of fools and the beacons of wise men.
THOMAS HUXLEY

The sower may mistake and sow his peas crookedly: the peas make no mistake but come up and show his line.
RALPH WALDO EMERSON

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'Necessity is the mother of invention' is a silly proverb. 'Necessity is the mother of futile dodges' is much nearer the truth.
ALFRED NORTH WHITEHEAD

Every beginning of an idea corresponds to an imperceptible lesion of the mind.
E.M. CIORAN

Man is not the creature of circumstances, circumstances are the creature of man.
BENJAMIN DISRAELI

Results? Why, man, I have gotten a lot of results. I know several thousand things that won't work.
THOMAS ALVA EDISON

The greatest events—these are not our loudest but our stillest hours.
FRIEDRICH NIETZSCHE

A Text . . .

Even so the tongue is a little member, and boasteth great things. Behold how great a matter a little fire kindleth!
JAMES 3:5

Sent in by Genevieve Schultz, Milwaukee, Wis. What's your favorite text? *The Forbes Scrapbook of Thoughts on the Business of Life* is presented to senders of texts used.

There is no amount of praise which is not heaped on prudence, yet there is not the most insignificant event of which it can make us sure.
LA ROCHEFOUCAULD

The trouble ain't that there is too many fools, but that the lightning ain't distributed right.
MARK TWAIN

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The Richest People in America

The Forbes Four Hundred

THE FORBES FOUR HUNDRED

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Clockwise from top: Seneker, Schmuckler, Lataniotis, Anderson, King

"When you are not practicing," Senator Bill Bradley's coach once told him, "remember, someone somewhere is practicing, and when you meet him, he will win." Forbes has become the standard reference on individual wealth in America because we have worked hard and intelligently at the job, never underestimating the difficulties. Senior Editor Harry Seneker and his Forbes Four Hundred team have been at the business of measuring personal wealth since 1982, when the first Forbes Four Hundred appeared. His team, this year consisting of Dolores Lataniotis, Eric Schmuckler, Ralph King and interns John Anderson and James Driscoll, has constantly refined its methods. Our 1987 list of the 400 richest U.S. citizens begins on page 106.

A year ago Seneker urged we expand our effort to include foreign fortunes. But could we do abroad what we did so successfully at home? Seneker was convinced we could. He assembled a team of writers and reporters including William Barrett, David Henry, Christie Brown, Patrice Duggan, Diana Fong, Kathleen Healy, Tatiana Pouschine and Lisa Scheer. The result was "The richest man in the world and 95 also-rans" *(Oct. 5)*.

The value of Seneker's experience was confirmed a week later when *Fortune (Oct. 12)* made a rival stab at identifying the world's richest people. It was amateursville. Consider publishing's Newhouse brothers, Si and Don. *Fortune* put their wealth at $7.5 billion. Forbes said $4.7 billion *(see p. 116)*. The difference? Using its network of media industry sources, Forbes valued the publishing properties more realistically and debited $1.2 billion for possible debt. The rival team naively assumed the properties are debt-free. We also deducted $600 million to reflect the $900-million-plus the IRS is trying to collect from the Newhouses. Our competitor ignored that claim.

There were glaring omissions from our rival's list. They missed most of Japan's real estate barons, whose wealth cannot be computed from the daily stock market pages, but requires a knowledge of Japanese land values. Right here in the U.S. they overlooked a lot of obvious people: Carnival Cruise Lines' Ted Arison, McCaw Cellular Communications' McCaw brothers and Harold Simmons, the Texas corporate raider, whose holdings of Valhi Inc. stock make him a billionaire. We found, in all, 166 billionaires. The other team found only 111—and they counted royalty.

Practice and experience made our fact-based findings a great deal more knowledgeable than the other fellow's fumbling.

Lawrence Minard

Deputy Managing Editor

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Follow-Through

Texas broke

Aug. 18, 1980

Seven years ago T. Cullen Davis was Texas rich. He and his older brother Kenneth Jr. were running Fort Worth-based Kendavis Industries International, Inc., a private $2 billion (sales) oilfield equipment, contract drilling and oil exploration and production empire they had inherited from their father in 1968. They had forced a third brother, William, out of the company in 1973 and were sitting pretty—even though by 1980 there were already murmurings about poor management: "They've done their damnedest to wreck the company," one observer told FORBES. Cullen and Ken Jr. managed to make it on to The Forbes Four Hundred, with an estimated $250 million apiece, in 1982, 1983 and 1984.

But by 1985 the oil service giant was in trouble. Now, like so many other oil barons from Texas, T. Cullen Davis, at 54, is Texas broke—up to $865 million in debt. He filed for personal bankruptcy last summer in his hometown of Fort Worth. Davis not only got caught in the oil price crunch; he also hadn't been too picky about the deals he made in the volatile Texas real estate market.

Cullen Davis first achieved notoriety in 1976, when he became the richest man in America ever to stand trial for murder. He was acquitted of killing his stepdaughter, and charges that he killed his second wife's boyfriend as well as shot her were dismissed. Later, he was charged with trying to hire a hit man to kill the judge in his divorce case. This time, he first got a hung jury, then was acquitted on that charge, too. In 1980 Davis sent tongues wagging again, when he became a born-again Christian and held prayer meetings at the mansion where the killings had taken place.

But meanwhile, nobody was minding the store, and Kendavis did nothing to prepare for the oil bust that began in 1982. The company, 85% of Cullen's net worth, was forced under in 1985. He and his brother fell off The Forbes Four Hundred that year, and last spring the bankruptcy court forced them out of the company completely, transfering ownership to 18 major creditors, including Security Pacific National Bank and Chase Manhattan Bank.

Davis still had $40 million or so in personal wealth to play with. But his judgment in other financial matters proved no better. Between 1982 and 1985 Davis joined more than 30 joint real estate ventures in Texas, Arizona and Georgia. Apparently, neither he nor his partners saw any link between oil prices and the value of their property. Looking for the quick buck, the partnerships borrowed 100%, 110%, even 120% of their properties' values. Davis, like another famous Texan, John Connally, personally guaranteed every loan, and Cullen often made interest payments out of his own account.

After some early successes, the partnerships toppled one after another. When Davis filed for personal bankruptcy under Chapter 7 last July, he owed $235.5 million. But he also faces contingent claims: $30 million sought in six wrongful death and injury lawsuits stemming from the shootings, for starters. And with little hope of recovering from Kendavis, the company's creditors may now seek up to $600 million from Davis personally.

Against these staggering liabilities, Davis lists a mere $1.8 million in assets, and $1.2 million of that is money Davis advanced to the partnerships, money that will never be repaid. The rest is tied up in his $500,000 multistory Fort Worth home, which he paid for in cash in 1984, and other personal belongings that Texas law allows him to keep from creditors. Fortunately for Davis, his brother Kenneth, who avoided personal bankruptcy, has hired him to help with his oil and gas marketing business. But Cullen now takes home less than $26,000 a year, after taxes. That, plus his third wife's meager salary as a schoolteacher, barely covers monthly expenses, according to court papers.

Although brother William, 52, may not have held on to the $150 million that FORBES estimated he had in 1984 (he's also in the oil business), he's most likely still the richest of the Davis siblings by far. Bill Davis owns Davoil, Inc., an independent oil exploration and production company.

And the future? Cullen is faithfully optimistic. "The Lord has sustained me through this," he has said. "I am not worried about the outcome. He can make it go, and He can make it come back."—**Lisa M. Keefe**

Minus-centi-millionaire no more

Oct. 27, 1986

Last year FORBES found 14 individuals unfortunate enough to owe $100 million or more. But, as most minus centimillionaires soon discovered, there is what Texans now familiarly refer to as "the Chapter." That is, Chapter 11, which permits debtors to reorganize their affairs under the protection of the federal bankruptcy statutes.

Robert Sutton, a former crude oil trader, for example, was quite probably the poorest man in America until he went bankrupt. After the Department of Energy had decreed an artificial difference in price between "old" oil (found before 1973) and "new," more expensive oil during the first oil shock, Sutton took advantage of the arbitrage opportunity.

Overnight the former postage-meter salesman had become a centimillionaire by relabeling old oil as new oil. Too bad it was illegal. In August 1984—four months after Sutton had filed for Chapter 11—a federal judge held Sutton personally liable for $210.7 million of overcharges, plus interest, an amount that had grown to $423 million by last year. Never mind. For a while, poverty mattered little, since Sutton had also been convicted of obstruction of justice and bribery and sentenced to three years in jail.

But Sutton emerged from the Medical Center for Federal Prisoners in Springfield, Mo. last January, after serving only 30 months—clean. Since then, the bankruptcy court has discharged all his personal debts, $423 million of them. Where does that leave Sutton? He's now an executive with an oil company called Global in Lafayette, La. But he has become more shy since his pretrial days, when he boasted to FORBES, "You never get enough."—**Laura Jereski**

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This message prepared by Alexander Proudfoot Communications, L.P.

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Forbes Informer

Edited by Gretchen Morgenson

The talk of Sears Tower

Revelations in *The Big Store,* Donald Katz' authorized history of Sears' efforts to make itself over for the new world of merchandising, have already strained friendships and caused a ruckus at Sears Tower. For example, Jim Button, former head of the buying organization at the mammoth retailer, only learned through reading the galleys of Katz' book that his good friend Ed Telling, former chief executive, was responsible for undermining his position at the company. And before publication, Sears Chief Ed Brennan sent letters to everyone mentioned in the book, trying to prepare them for the worst.

Katz himself, who had access to top brass in doing research, seems to have become persona non grata in Chicago. The author was to have a book-signing party in a Waldenbooks store located in the lobby of the Sears Tower. When some Sears officers got wind of the promotion, they consulted a lawyer to see if they could bar Katz from the building. But no blockade was possible; the bookstore has public accessways that Sears could not block. Viking, the publisher, couldn't be happier about the fuss. It should mean more sales for the book.

Illustrations by Gil Fisher

US Sprint stumbles

US Sprint, the long distance calling company owned jointly by GTE and United Telecom, is still not yet in the black and it continues to upset customers. Billing delays caused so many problems that back in July Robert Snedaker, Sprint's president, personally promised to resolve the difficulties. According to the Federal Communications Commission, Snedaker's promise has not yet been kept.

Sprint hit another stumbling block in September. One-fifth of Sprint's 5 million customers must use special access codes to place calls. But partly because computer hackers got hold of some of these codes, the company began issuing new ones in August to be used in early fall. In the changeover, Sprint accidentally cut off service to 25,000 customers. Worse, when stranded callers tried to reach Sprint's toll-free customer service lines, busy signals were all many of them heard. A company spokesman, who blamed a computer for the error, says: "We hope it's all fixed now."—**Alyssa Lappen**

Courtside with Boesky

In between studying the Talmud and awaiting sentencing, Ivan Boesky is reportedly taking tennis lessons—twice a week for two hours each—near his home in Westchester County, N.Y. Once a regular on the tony Harvard Club squash courts, Boesky now has settled for membership at the "modest" Canyon Club in Armonk, N.Y. Tennis dues are $2,200 per year with an additional requirement that he or his family spend at least $800 a year in the club dining room. Boesky pays his pro $45 an hour for lessons.

Boesky does not yet play as well as another famous Ivan, U.S. Open champion Ivan Lendl, but he's coming along. Says an Informer source: "Boesky is not interested in criticism.

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He doesn't like to be told what to do with his game." Nonetheless, if he has decent strokes and a good strategy, who knows? He could be top seed at Allenwood.—**Dyan Machan**

New boss, old problem

Hooker Corp. of Australia, the folks who overpaid, according to New York retail consultant Arthur Britten, for Bonwit Teller when they bought it from Allied Stores this year, is now trying to acquire the troubled Sakowitz retail chain, in Chapter 11 since August 1985. Britten, the court-appointed retail adviser for the chain, describes problems at Sakowitz this way: "The son of the merchant prince drives the business into the ground." Robert Sakowitz was in such a hurry to expand that he nearly tripled the number of stores in six years. Sales in hard-pressed Texas didn't follow and Sakowitz went to court for protection from its creditors.

Will Hooker be able to turn around what's left of Sakowitz Inc.? Maybe. But one of the retailer's biggest problems remains. Hooker has asked Sakowitz to stay on as chairman.

Ice on a hot issue

Want to know how fast a seemingly hot new stock issue can freeze? Take the recent offering of 1 million units of International 800 Telecom, a Stamford, Conn. company that provides international toll-free telecommunications services to businesses. The deal came at $5 on Aug. 4. In a month, it was going for 2½. Sighs one money manager: "Everything looked good about it. The company was already making money, the chief executive was from MCI, the price seemed right."

The stock now trades at 2¾. Was International 800 just another victim of the skittish stock market? Not exactly. It seems some Arab customers placed orders for between 5% and 8% of the deal on the underwriting through Prudential-Bache. All well and good, but they never paid for their order. And when news of the block's disposition of stock was finally released, the shares swooned. Says the chastened money manager: "My list of 100 things that can go wrong buying new issues just hit 101."

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CITICORP. BECAUSE AMERICANS WANT TO SUCCEED, NOT JUST SURVIVE.™

POLO RALPH LAUREN

Fact and Comment

By Malcolm S. Forbes, Editor-in-Chief

TWO NEW RECORDS FOR THIS YEAR'S FORBES FOUR HUNDRED

It took more money than ever to make the cut.

And there are more new faces in 1987 than in any of the previous five years.

The percentage of change every year graphically illustrates that getting to the top of the wealth heap is no insurance one can stay there. In 1983 there was an 18.5% turnover; in 1984, 11%; in 1985, 16%; in 1986, 14%; and this year, 20%.

While death takes its inexorable toll, a far bigger number simply can't keep up the thumping pace—or go right over the brink trying to. It's this very element of volatility that most dramatically demonstrates what's key to America's extraordinary economic strength: Anyone has the opportunity to Make It, and no one who's Got It can be sure or insured he'll keep it.

There are assorted significances to the surprising leaps in the mind-boggling sums required to make this most exclusive, yet-open-to-anyone FORBES Four Hundred.

In 1982, $91 million was the minimum required; in 1983, $125 million; in 1984 and 1985, $150 million; in 1986, $180 million; and this year, $225 million.

Inflation per se has little or nothing to do with the 147% jump in entrance requirements. While every case differs, in every case some *one* was quicker off the mark, quicker to make the mark, or to take the marks.

The fact that more millions are working in America than ever before, the fact that more people in America are making more money than ever before, and the fact that the nation's standard of living—and length of living—is higher and longer than ever before, is owed in some measure to these Four Hundred.

But in major measure, the major factor is the fact that countless entrepreneurially imbued Americans know there's no ceiling imposed on what they can aspire to, or what they can achieve.

Witness the FORBES Four Hundred.

DUKAKIS BLEW IT—BUT NOT BY "DIRTY CAMPAIGNING"

What's dirty about confronting a man with tapes of his own speeches, his own words, that turned out not to be?

Governor Dukakis blew it not because of his campaign managers' doing what campaign managers do, but because of his wimpy—belated—canning of 'em.

He had a right to be sore that they didn't tell him they were the source when the "accusations" first surfaced (on the premise that he didn't know, and I buy that).

But to traipse all over Iowa and the nation's airways repeatedly and abjectly apologizing for confronting and confounding a competitor with his own words (someone else's but mouthed as his own) was bad judgment.

Such a lack of perception is what threatens Governor Dukakis' presidential candidacy.

THE FALLING DOLLAR FINALLY IS HELPING U.S. UP

It was two years ago that the Administration set out to drive the dollar way down. Its way over valuation in relation to the yen, mark, pound, franc and other currencies was seriously hobbling our exports. Our high buck was fueling America's soaring trade imbalance.

The effort to knock the buck off has been successful. Very successful. (Possibly too much so.) From a high of 262.80 yen to the dollar two and a half years ago, it's now 146.20 yen to the dollar (so, too, with marks, francs, etc.).

The improvement in exports has been a much longer time coming than the quick-fixers had hoped. But now it's beginning to happen. A growing number of U.S. companies for whom overseas markets are important are showing significant gains in overseas earnings. With

prices of what we import forced steadily higher, U.S. companies' shares of the home market are improving.

Of course, with the price of oil nearly double its low, the overall trade balance is hurt. But imagine how very much worse off we'd be without the cheaper dollar.

There's another fascinating facet to this equation. With the yen now so high vis-à-vis the buck, some Japanese companies are exporting products they make in the U.S., such as motorcycles, color TV picture tubes, etc., to Japan. Honda explained it can produce autos more cheaply today in the U.S.A. and has announced expansion plans here that are aimed at exporting 70,000 cars a year to Japan. While this reverse flow is still a trickle, who'd have thought a couple of years ago there would ever be even a trickle?

As our huge trade imbalance very slowly begins to lessen, it's critically important that we don't thrust giant tariff spokes into the wheels of world trade. If the Democrats nominate a Gephardtian high-tariff candidate, the health of our own and the free world's economies will be in serious danger.

BLOWING AN EASY ONE, WINNING A TOUGH ONE

Wouldn't you suppose selling a chain saw put out by an enormously respected name would be pretty simple? But have you ever seen an assignment so butchered? It looks like the guy's playing hopscotch with chain saws and lost his left leg en route.

For great diversified companies, making the intangible of image an invaluable asset is a very tough challenge. Eaton's campaign more than meets it. In an un-pass-by-able setting, simple copy that sings: "Diversification. Getting into new things. Because the future belongs to those who anticipate change—to Eaton. Eaton. Growing into the Future. Automotive. Electronics. Defense. Capital Goods."

THERE'S NOTHING DEADER THAN YESTERDAY'S NEWSPAPER?

Figuratively speaking, maybe. But if the paper's old enough, there's nothing more fascinating.

From film producer and author *(Brown's Guide to Growing Gray)* David Brown came this note and newspaper: "While in a nostalgic mood I found a copy of the *Brooklyn Daily Eagle* dated Oct. 24, 1929 on sale at the San Francisco Airport last week. It reports on the days just before the 1929 Wall Street crash. I thought you'd get a kick out of it, or a caution!"

Under the headline, the bold-face lead paragraph reads: "Wall Street was in a panic today, with no one to guide it out. Stocks crashed 10 to 15 points to outrageous levels. Charles E. Mitchell, chairman of the National City Bank, was conferring in the office of J.P. Morgan & Co. The Morgan partners had been talking by telephone with J.P. Morgan in London all morning. By noonday the best information was that they had been buying stocks, but that the situation had gotten beyond them."

Which turned out to be the understatement of the decade. On the same 1929 front page is a story almost as absorbing—and much more amusing . . .

. . . TO WIT, THESE COLLEGE COACHES' COMMENTS

when charged with passing out athletic scholarships in a Carnegie study: "Columbia and New York University officials, while admitting that 'shopping for athletes' is a common practice among colleges, asserted that their own athletics were clean and under faculty supervision.

"Dean Robert E. Hawkes of Columbia: 'I have no sympathy for those who condemn an athlete solely because he is an athlete. In shaping academic rules, the people who take such an attitude are straightening the line too far and are bending over backward until they are apt to hit their heads.'

"The Rev. John M. Fox, Holy Cross: 'No worthy boy was ever turned away from Holy Cross.'

"John Coffey, director of athletics, Fordham University: 'I don't see what criticism can be made of young men receiving educations.'

"Bill Roper, Princeton University head coach: 'It is an erroneous notion that athletes in general are poorer students than non-athletes. Athletes do better scholastic work in the playing season than other times.'

"At Harvard concessions for the sale of refreshments were found to be allotted exclusively to athletes, but in another of the highly significant footnotes, William J. Bingham, director of athletics, announces 'plans are at present under way for placing these concessions beyond the control or direct interest of athletes.' "

IT'S A GENUINE PLEASURE TO SAY "HAPPY 100TH BIRTHDAY"

to the *International Herald Tribune*. For those of us who think we have to know what's happening in the world while we are traveling abroad, this comprehensive and unstodgy newspaper eliminates any concern on that score.

For one who keeps abreast on the home front of five dailies daily, I don't feel undernourished in other lands so long as the *Trib* fix is available.

To it and those who daily produce it, this Scottish toast: "Lang may your lum reek."*

**Long may your chimney smoke.*

"PUNCH" REFUSES TO BE DISCRIMINATED FOR

The *New York Times'* genially astute owner-helmsman, Punch Sulzberger, is among those of us who relish the unmitigated joy of a good cigar. In so many places today, we are being not merely fenced off—often fenced out entirely.

But recently Punch countered when an overinclusive plan to ban smoking at the *Times* came to him for okay. Knowing the publisher's abiding affection for cigar puffing, his personal office was being recommended for exemption. "I sent it back for rethinking, redrafting. I told them that I refuse to have a rule at the *New York Times* that only I can smoke."

B.C. Forbes enjoying

The *Times* has always thundered effectively against discrimination. It is reassuring that the *Times'* Thunderer-in-Chief is as strongly against discrimination for someone as discrimination against someone.

* * *

In that same conversation, Punch enthused about the recently introduced *Wall Street Journal* index of companies mentioned in the day's edition. "A very useful innovation." I heartily agreed with his use of the word "useful" but not the "innovative" part. While we couldn't reasonably expect a credit line from them, FORBES did inaugurate this feature 22 years ago.

A LOT OF MONEY

doesn't make anyone more often right.
It just makes him harder to correct.

ANOTHER GOOD THING TO BE SAID

for money: It massages the ego when
no one else can perceive any reason to.

BOOKS

● **Painted In Blood: Understanding Europeans**—by Stuart Miller, Ph.D. (Atheneum, $17.95). An absorbing insight into where Europeans are coming from—which isn't where we are. Invaluable for those who need to know, fascinating for those who want to know, and for anyone who has Europe on his itinerary.

Excerpts: *In European medieval society, violence was written into the structure of society itself. In Oxford alone, there were four to seven times more murders in the thirteenth century than in the average big American city today. In European medieval society generally, few men reached adulthood without being mixed up, more or less intimately, with a murder. . . . Europeans protect themselves by being habitually prepared for the worst. . . . Europeans know that war* hurts. *You go cold and hungry. You are wounded. They can peel the skin off you. You are impressed and tortured and ordered over the top in a gas attack. War is not a story, not a simple end to living. War is not death, but torture. . . . "I'm having a secret affair," she says. "With my husband's younger girl friend." After pausing to monitor my discomfort at such complex power plays, she added with a matter-of-fact triumph: "The girl is more in love with me than she is with him!" When I confessed to shock at her cool removal and manipulativeness and selfishness, she laughed lightly: "I knew you would be—sometimes you're so American!"*

● **Hearst 100: A Century in Journalism, 1887-1987**—by James F. O'Donnell (Hearst Professional Magazines, Inc.). This is one of those rarities, a pithy, excitingly graphic story of an immense enterprise that for a hundred years made and continues to make communications history. Founder William Randolph Hearst was the towering genius whose empire shook and shaped a great hunk of history. A second generation of Hearsts have seen this giant—nearly drowned by the Depression—set new directions and climb to new pinnacles of profit and power. Now third-generation Hearsts are coming on the scene. If helmsman CEO Frank Bennack Jr. has one of these 86-page copies to spare, do what you can to get it.

Excerpts: *One of Hearst's most famous quips concerned his long involvement with motion pictures. One day a business reporter asked him, "Is there any money in movies, Mr. Hearst?" "Well," he replied dryly, "I know for a fact there are several millions of my money in them."*

Celebrity. Again this year, the number one reason fleets buy more Chevrolets than any other car.

It's been called the perfect fleet car. An aerodynamic package so right for the times your peers have bought more of them than any other single car for the past three years running.

The car, in a recent nationwide survey,* fleet managers picked *three to one* over any other car as "the best fleet vehicle buy on the market today."

If you're not doing business with the products and people fleets make number one year after year, perhaps it's time you did.

See your Chevrolet dealer or Field Representative.

*Runzheimer Reports on Transportation, 8/87.

THE *Heartbeat* OF AMERICA

TODAY'S CHEVROLET FLEET SALES

GM
5/60
QUALITY COMMITMENT PLAN
See your Chevy dealer for terms and conditions of the limited warranty.

Other Comments

Often comments by others stimulate, irritate, abuse or amuse this editor's mind.–MSF

How To Help the Poor

The traditional vows of poverty taken by Knights of Malta seem to be passé. "People who become knights should have some money because, if they were starving, why would they care about the prestige of a title?" says Sir Mbirika of the Petrucci group. "We tell our knights," he adds, "that the best way to help the poor is not to be one."

—*Wall Street Journal*

Gotta Learn How To Spend

I was given an introduction to Mohammed Mannei [of Saudi Arabia]. He had, I was told, shops and offices all over the city. "They think all Arabs are very rich. But this *rich. Rich* is just a sound. What is *rich? Rich* is education, expertise, technology. *Rich* is knowing. We have money, yes. But we are not *rich*. We are like the child who inherits money from the father he never knew. He has not been brought up to spend it. He has it in his hands; he doesn't know how to use it. If you do not know how to spend money, you are not *rich*. We are not rich.

"Without this knowledge, this understanding, we are nothing. We import *everything*. The bricks to make the houses, we import. The men who build them, we import. You go to the market, what is there that is made by Arabs? Nothing. It is Chinese, French, American . . . it is not Arab. Is a country rich that cannot make a brick, or a motorcar, or a book? It is not rich, I think."

—*Arabia*, by Jonathan Raban

The Hero Class

Emerald Cunard, on World War II: "This is a very middle-class war; one simply doesn't know anyone who's killed."

—*Maugham, A Biography*, by Ted Morgan

Veblen vs. Phipps

That killjoy Thorstein Veblen would not have approved. From the dour perspective of his *Theory of the Leisure Class* (1899) gardens and estates like Old Westbury Gardens had no socially redeeming qualities. Whatever their beauty, the gardens were passing and their "cost effectiveness" could not be justified, according to Veblen's depressing arithmetic.

We can be grateful that he did not discourage the [John S. and Margarita] Phippses on Long Island.

When the plan is on a princely scale, as is the garden at Westbury House, the insatiable rate of consumption must have been (as it still is) truly alarming. But great gardens have always required the same basic ingredients. Louis XIV's finance minister Nicolas Fouquet (1615-1680) went to prison for life after his extravagance at Vaux-le-Vicomte, but half a million people still make the pilgrimage each year to enjoy some of the magnificence he created in the mid-seventeenth century.

—William Howard Adams, *Antiques*

Drawing, by Joe Mirachi, © 1986 The New Yorker Magazine, Inc.

"Heavens! According to this, millionaires are getting to be a dime a dozen."

I am opposed to millionaires, but it would be dangerous to offer me the position.

—Mark Twain, in the *Executive Speechwriter Newsletter*

Use 4th Class

Over the years, Daniel K. Ludwig earned the reputation of being the Scrooge of the shipping industry. One of his employees, a story goes, on being asked to suggest a design for a fleet flag symbolizing the Ludwig enterprises, submitted a drawing of two hands stretching a rubber dollar bill. Some years later, the captain of a Ludwig ship made the extravagant mistake of mailing in a report of several pages held together by a paper clip. He received a sharp rebuke for his prodigality: "We do not pay to send ironmongery by air mail!"

—*The Invisible Billionaire*, by Jerry Shields

Only Privilege

DISTANCE, *n.* The only thing that the rich are willing for the poor to call theirs, and keep.

—Ambrose Bierce, *The Devil's Dictionary*

"Mr. & Mrs. John Q. Public"

In the Gould spending derby George was first off the mark with his marriage in 1884 to Edith Kingdon, an actress with an inordinate fondness for ropes of pearls. To show them off properly she required large houses and lavish parties. Even on their private railroad car, formal dress was *de rigueur* at dinner. It is told that on one journey, through some mix-up, the Gould car was placed in the center of a train instead of at the rear. This meant that travelers who wanted to get from one end of the train to the other had to pass through the Goulds' car. The situation was saved, to a degree, by the Goulds' English butler, who stood at the door and announced each stranger before he passed through.

—*The Very Rich*, by Joseph Thorndike Jr.

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Fact and Comment II

By M.S. Forbes Jr., Deputy Editor-in-Chief

INVESTORS SHOULD REJOICE

at the recent call of Treasury Chief James Baker for giving gold a role in the setting of economic policy. It's glittering news, the best since Reagan's successful pushes in slashing individual income tax rates.

Why? Because gold, if properly utilized, will largely do away with the twin plagues of inflation and deflation. Without being burdened by those two great destabilizers, the U.S. and world economies will expand more than they would otherwise. And so will financial markets. It is no coincidence that stocks rose sharply on Baker's announcement.

Bruce Hoertel/Gamma Liaison

The yellow metal will make our financial markets even more alluring to foreigners; the exchange rate risk will be largely reduced. Stocks will rise. Interest rates will fall sharply. How sharply? Eventually, yields on long-term Treasurys could go as low as 4%.

The dollar has been a loose cannon since it was effectively cut off from gold in the late 1960s. Severing that link led to the great inflation of the 1970s. It led to the overvaluation of the dollar in the 1980s, which, in turn, brought on the protectionist fever currently gripping Congress. The deflation of 1984-86 did unnecessary harm to Third World economies and to our own farmers.

Policymakers here and abroad need a reliable compass that would let them know in a timely fashion when to tighten or loosen monetary policy.

Gold is such a compass.

If the price of the barbarous relic goes up for a time, it's a surefire warning that we are too loose with our money. Conversely, if gold slumps, our monetary authorities are being too tight in credit creation.

No Other Good Alternative

Gold has considerable advantages over other economic indicators of inflation or deflation. Unlike most commodities, it isn't burned for energy or consumed for food, and therefore its price isn't susceptible to drought, to bumper harvests, to OPEC-like cartels. The annual production of gold is minuscule in relation to its outstanding supply. When there have been great discoveries, such as in the early part of this century, the resultant inflation was a paltry 2%.

Commodities other than gold are useful indicators only when all move in one direction. They are not very helpful on a day-to-day basis. Gold is.

Money supply? Economists' definitions of money supply are numerous and everchanging. More to the point, none of these numbers is very useful for very long. Examples: Money supply in Germany and Switzerland rose sharply in the late 1970s; no inflation resulted. Money supply grew briskly in the U.S. in the 1980s; inflation fell like a stone.

Gold has been in the economic closet because of unjustified myths, which have exercised a powerful grip on the imaginations of economists and laymen for generations. These fairy tales blame it for the Great Depression, for being the bane of 19th-century farmers. Scholarship shows that gold had no role in bringing on the Depression. The farmers' plight in yesteryear was the same as it is today: overproduction.

The gold standard always worked well in peacetime. During times of war—military (the two world wars, Vietnam) or economic (the Smoot-Hawley Tariff Act triggered trade wars of the 1930s)—a gold standard cannot function.

Will Baker be more energetic in giving gold a meaningful role than he was in carrying out his plan of two years ago for Third World debt? That debt plan was sensible, sound, but follow-through was inadequate, lacking in firmness. In many cases not enough pressure was put on the countries involved to loosen their strangulating economic restrictions.

Baker's call will be greeted with derision from traditional economists. Will our Treasury Secretary have the courage, the perspicacity to ignore the hoots and do what is correct for us all?

If Baker does persevere, he will be regarded in history as one of the major figures of our time.

This is his chance for greatness.

Do Mechanic
You Stuck Or

These days we hear more and more about flights delayed or cancelled for mechanical reasons. Are the airlines doing a poor job of maintaining their planes?

At American Airlines, we've substantially reduced both mechanical delays and cancellations.

We've done it by committing ourselves to the very best maintenance program we know how to create. Day in. Day out.

We spend over $1.8 million a day on maintenance.

In total, we spend more than $650 million a year on maintenance — an average of well over $1.5 million per year per plane.

But money is only part of the story. We field over 7,500 highly trained employees dedicated solely to maintenance excellence.

These people plan and execute maintenance programs that far exceed government requirements. We set our own high standards. And we stick to them.

It all begins with major maintenance.

Every plane in our fleet receives major maintenance at precise intervals. And when we say major maintenance, we mean it. Every system is meticulously checked. And rechecked. Everything from avionics computers to landing gear.

We give the airframe a detailed structural inspection and the engines an inside look.

And we don't just look, either. We bring all the technology we can find to bear. For example, we x-ray more than 5,000 parts every year and use a wide range of equipment — like borescopes and ultrasonic instruments — to test what we can't see. And when nothing else satisfies us, we simply take it all apart.

No plane goes back into service until everything is shipshape. Inside and out. Top to bottom. From one end to the other.

And we don't let up for a minute.

Between major maintenance visits, we do a whole series of special checks — from daily once-overs to very heavy checks at longer intervals.

And of course, any malfunction whatsoever — from an oil consumption rate that's a pint per hour too high to an instrument panel light that blinks — is recorded in the logbook and then in our computerized tracking system.

Our computers track the maintenance history of every one of our 396 planes.

So we know exactly what needs to be done. What's been done. When it was done. And who did it.

Right down to every nut and bolt.

And when all that checking tells us a new part is needed, the same computer system gets it to the right place at the right time — along with a message about the right way to use it.

So whatever needs fixing is fixed — as fast as our people and resources can get it done right.

We're committed to mechanical excellence.

In fact, our mechanics spend 12 hours working on a plane for every hour it flies.

Despite all this effort, we can't say that mechanical delays will never happen on American Airlines because if there's even the smallest malfunction, we won't take off until it's checked out.

Our goal is better and better maintenance to reduce, even further, the things that need a last-minute check.

And it's working. We've had fewer maintenance delays this year than last, and next year we'll be better still.

We know your schedule is important — and we're doing all we can to make our reliability the standard for the world.

Number three in a series devoted to issues facing the flying public.

AmericanAirlines

Something special in the air.

l Delays Have
he Ground?

David Murdock in his Bel Air home
"The man who says 'I know, don't tell me,' is stupid."

Born poor, David Murdock was a centimillionaire at 40 and nearly broke a few years later. That setback taught him some valuable lessons.

"I just make ideas happen"

By John Heins

HOW DO YOU START with nothing and end up among The Forbes Four Hundred? Not, in David Murdock's case, by attending Harvard Business School. "I'm a free-form entrepreneur," says Murdock. "I came up strictly by my wits, without the benefit of formal education, without blinders on my eyes because somebody had already told me the right way to do something. The man who says, 'I don't know, I want to learn,' is brilliant. The man who says, 'I know, don't tell me,' is stupid."

David Murdock must have asked lots of questions. Born in Kansas City, Mo., Murdock grew up poor. His father moved from town to town in the Midwest selling Delco electric generators to Depression-era farmers. A dyslexic, Murdock fell behind in school and dropped out in the ninth grade. From then on he pumped gas until he was drafted into the Army in 1942.

At 64, David Murdock is, for the second time in his life, an exceedingly wealthy man. His commercial real estate in several states is worth an estimated $750 million. He is chairman and leading shareholder of Castle & Cooke, Inc. and Flexi-Van Corp. He also owns 50 or so small- and medium-size private companies, including a Coca-Cola bottler in Guatemala and a venerable dealer in antique furniture (New York's Stair & Co.). He spends most weekdays in a 64-room Bel Air mansion, Conrad Hilton's old house. Weekends you will usually find him on the 1,900-acre ranch north of Los Angeles where he rides some of his 400 Arabian horses. Does business take him east? There's a giant duplex on Manhattan's Fifth Avenue. Add it up, subtract the debt, and Murdock is easily worth $800 million, pushing relentlessly toward $1 billion.

It was not until an Army buddy got him interested in books that the future came into focus for Murdock. He devoured biographies of great businessmen: J.P. Morgan, Andrew Carnegie, Henry Ford. "They excited my mind incredibly," Murdock remembers.

With little but his Army discharge pay, Murdock moved

west to Phoenix in 1946. He was 23. People were starting to pour into Phoenix, so Murdock started building houses. He dug ditches, picked up building materials and hired plumbers, electricians and others to do things he couldn't. He and Phoenix grew together. He moved into commercial and retail development and bought a savings and loan, a title insurance business and a commercial bank. By 1963 Murdock was 40 and had a net worth, wrapped up in Financial Corp. of Arizona, of around $100 million.

"I was quite young, and everyone was saying I was a genius," Murdock says. "And I started to believe it."

A near-fatal mistake. Overbuilt, Phoenix' real estate market fell in 1964, flattening Murdock's FCA. Murdock was forced to sell most of his holdings to pay debts.

"I had all my eggs in one basket and didn't even know it," Murdock says. "I had stopped paying attention to every minute little detail of the business, so I didn't respond quickly enough [when things changed]."

Chastened and depressed, Murdock moved to Los Angeles in 1966 in search of a fresh start with the $1 million or so he had salvaged. He was now 43.

Murdock stayed in real estate but broadened his base. He chose markets like Des Moines, Omaha and Walla Walla, Wash.—places less susceptible to speculative excess—where he built mainly office buildings. As his cash flow again climbed, he changed his tactics. No more dice-throwing on speculative deals. He started buying asset-heavy, cash-flow companies in dull businesses—a Lincoln, Nebr. brickmaker, a maker of clay pipe in Los Angeles. Most had ignored or underdeveloped real estate assets.

Arabian horse auction at Murdock's ranch
Even hobbies are investments.

At one of this century's most opportune times, the mid-1970s, Murdock began using this cash flow to apply his value-hunting theories to the greatest bargain around: the stock market. The Dow was below 600, ex-hotshot money managers were driving cabs, and John Q. Public wouldn't touch stocks. Rather than buy small pieces of many companies, Murdock concentrated his resources, buying big chunks of a few well-chosen targets. He learned about 13Ds, filing them on Zapata Corp., Southwest Forest Industries and Iowa Beef Processors, among others.

In the late 1970s Murdock built a nearly 20% position in Iowa Beef, the giant meatpacker. Not long after, he and Armand Hammer became friends on a trip to the Soviet Union in search of Arabian horses. Hammer had been looking to diversify Occidental Petroleum. Murdock convinced him to buy Iowa Beef in 1981, giving Murdock a 3% stake in Occidental. Murdock was instrumental in bringing Hammer the excellent 1982 acquisition of Cities Service Co., and Occidental's stock started to rise.

It was probably inevitable that these two egos would clash, and clash they did. Murdock upped his Oxy stake to 5% by early 1984 and began pushing for change. Hammer arranged to have him bought out—at a profit of more than $100 million. In his recent autobiography, Hammer calls his former friend a "business barracuda." Other rivals have called him worse. You don't come from nothing to great wealth without kicking shins and bruising feelings.

Murdock proceeded to bruise even more feelings. In 1982 he launched a bid for textilemaker Cannon Mills Co., the hometown pride and joy of Kannapolis, N.C., winning it for just under $400 million. The locals were outraged, but Murdock quickly made his points. Cannon had done little to automate its plants, and its products had become drab at a time when designer sheets and towels were doing well. Murdock consolidated plants and spent $130 million to automate Cannon's mills. He spent hours in New York design studios, helping to create fresher ideas for Cannon's products.

The Amalgamated Clothing & Textile Workers Union began leafleting nonunion Cannon with a cartoon showing a smiling Murdock in the back of a limousine heading out of Kannapolis with bags of money. Early polls suggested workers would welcome the union overwhelmingly.

Murdock moved to Kannapolis. He spent several weeks walking through Cannon's plants, shaking hands with nearly all 10,000 employees. He asked for their support but

Exploring the world's greatest natural resource

Last year fundraisers from the University of California at Los Angeles asked David Murdock for $25 million to expand UCLA's graduate school of business. For a ninth-grade dropout to have his name on a leading business school would seem like a fine accolade. But Murdock informed the solicitors that he had already decided to throw the bulk of his philanthropic efforts behind research into the workings of the world's greatest natural resource, the human brain.

Murdock has been fascinated for years with the way the healthy brain functions, and has already given several million dollars to fund research. Among the research questions Murdock is financing: Is there something in the brain's physiology that makes an individual creative or intelligent? Can creativity and intelligence be improved through "cerebral exercises" or through foods or dietary supplements? Do emotions affect the proper functioning of the immune system? If so, will therapy or drugs that affect emotion help the brain fight disease itself? Finding answers to the latter question took on special meaning for Murdock after the death of his wife in 1985 of cancer.

Murdock says he is certain that "protein and oxygen stimulate the brain." Playing his own guinea pig, Murdock eats high-protein breakfasts—veal, steak, liver—and plenty of nuts. He doesn't work out but takes stairs two at a time and sometimes does push-ups during breaks in all-day meetings to pump oxygen to his brain.

Murdock's eventual goal is building a center for advanced brain research—possibly on the Hawaiian island of Lanai—staffed with the best scientists in the field. "It is," he says, "an area that is very, very dear to me."—J.H.

made it clear that he would not keep the mills open if they lost money. When the ballots were collected, the union was defeated by a 2-to-1 margin.

"I learned one big lesson from all that," Murdock says. "You need to be closer to your people than most executives are." But the fight had taken a toll, and Murdock sold roughly 75% of Cannon's textile business to Fieldcrest Mills for $250 million a few months later.

It was whispered at the time that Murdock had fared badly on Cannon and was cutting his losses. Not so. He still owns most of the commercial real estate in Kannapolis, now worth probably $100 million, and plans to continue development there. He extracted some $30 million from Cannon's overfunded pension plan and kept two companies—one making blankets and the other making yarn. These two companies now earn around $20 million, pretax, on some $250 million in sales. All told, Murdock has made at least $175 million from the Cannon gambit.

Nor has he left the town bereft. There is a new YMCA, a new library and a new David H. Murdock Senior Center, built with donated land and money from Murdock and fundraising efforts. Says Mariam Cannon Hayes, 71, granddaughter of mill founder J.W. Cannon: "I like David, he's done a great job. Time goes on, things have to change."

Another iron in the fire during this period was Flexi-Van, a troubled transportation container and chassis leasing company. By 1983 Murdock had accumulated 20% of its stock and became chairman. When Murdock began agitating for change, a majority of the board resisted and ousted him as chairman in a hastily called special board meeting. Murdock left the meeting and started buying any Flexi-Van shares he could get. Within days Murdock's stake climbed to 37%. The board surrendered.

Leo Matkins

Unloading Dole containers at Wilmington, Del.
Expanding in fruits and vegetables.

Was Murdock merely being vengeful—as some have claimed? Not the way he sees it: "I knew I didn't dare lose that fight. If I did, everybody who wanted to get into a fight with me after that would go ahead and do it."

Other deals were less contentious. In 1984 Murdock and Peter Kiewit Sons, Inc., Omaha's big private construction and mining firm, acted as white knights to save Continental Group, parent of Continental Can, from the clutches of Jimmy Goldsmith. A year later, Kiewit bought Murdock's stake—on his books at $150 million—for $200 million.

While he often takes an active role in companies where he invests, Murdock also just buys and sells. In December of last year Murdock tendered his 22% stake in Kaiser Cement to Britain's Hanson Trust, earning a 60% gain on his roughly $30 million investment.

Normally bursting with energy, Murdock's booming voice drops to a hush when he talks of the tragedy that struck him in early 1985. After an 18-month illness his second wife, Gabrielle, died of cancer. She was 43. During those 18 months, while his various corporate battles raged, Murdock stole considerable time to sit at his wife's Mayo Clinic bedside. Then, 11 months after Gabrielle died, their oldest son drowned in the family pool. He was 23.

Murdock talks about the tragedies freely but quietly. "My wife was my partner, my buddy, a spectacular woman. We learned things together," he says. "When my son died, it was almost too much."

His wife's death heightened Murdock's interest in brain research *(see box)*, to him the most important of his nonbusiness endeavors. He is also cochairman in California for George Bush's campaign, and backs the Joffrey Ballet.

Murdock's latest deal—Castle & Cooke—may also prove his best. By early 1985 the San Francisco-based firm, of Dole pineapple fame, was nearly bankrupt after management, trying to hold on to its jobs and perks, paid greenmail to financier Charles Hurwitz. Murdock had been following the company's troubles. Analysts were quoted as saying the stock was barely worth the $9 it was trading at, but Murdock, like all great investors, sees things that analysts miss. In Castle & Cooke he saw that Dole had a strong brand name and an unmatched worldwide marketing organization in fruits and vegetables. Fresh fruit and vegetables were increasing in popularity. As a cushion (remember Cannon), C&C owned some 150,000 acres of underdeveloped real estate, mostly in Hawaii.

Before he could pursue Castle & Cooke he had to buy out raider Irwin Jacobs' 14% stake. In typical Murdock fashion, he flew to Minneapolis, agreed to pay Jacobs a premium and was back in Los Angeles by nightfall.

In July 1985 he merged Castle & Cooke with Flexi-Van; with nearly 20% of the merged company, Murdock became chairman and chief executive. He cut corporate staff in half. "The company, below a certain level, really had fabulous people," he says. "But they didn't have the authority to do the things they should have." He quickly paid down debt, cutting interest expenses, and more than doubled real estate profits. On sales of $1.7 billion, Castle & Cooke booked income from continuing operations last year of $75.6 million. Earnings this year should be even better. With the stock at a recent 24, Murdock's gain so far exceeds $165 million.

Nor is he finished with Castle & Cooke. He's spending $70 million for two refrigerated containerships to add to C&C's fleet. Last month he made a deal to buy Tenneco Inc.'s large California citrus, nut and grape business, part of his plan to bolster C&C's market share in fresh fruits and vegetables. Also on Murdock's plate is Allegheny International Inc. He recently bought 7.3% of its convertible preferred stock. Says Murdock: "The company could be, and should be, turned around."

Murdock still gets up by 5:30 each morning and logs 300,000 miles a year on his private Falcon 50 jet. But he leaves much of the day-to-day running of his businesses to younger operating managers: Raymond Henze, 35, president of Murdock's private holding company; Bill Mills, 36, Castle & Cooke's real estate man in Hawaii; Robert Fisher, 49, president of Dole. "When he trusts you, David gives you a lot of responsibility," says Mills, "and you want desperately to live up to that responsibility."

"The excitement to me is doing a deal, having a vision and making it come to fruition," says Murdock. "All my life people have said, 'David, I thought of that idea long before you did.' It's true. I don't have that many original ideas. I just make the ideas happen because I won't let them die."

But he also realizes that being born poor has much to do with his drive and success. He has two teenage sons. Of them, he says—although with no trace of bitterness or regret: "They're second-generation. They don't have the same motivating drives I have." ■

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When Charles Payson married sportswriter Virginia Kraft, his children got worried. Then, when he left her the Whitney fortune, they took her to court.

The outsider

By Lisa Gubernick with Alexander Parker

As much as anything else, John Whitney Payson didn't like the way his father's second wife treated the servants. "When you have wealth," explains the 47-year-old heir, sitting in his leather-upholstered, scruffy study at Stonecroft, the 36-acre family retreat in Maine, "you have a certain responsibility." He pauses, then says of his stepmother: "Virginia did not come from that sort of background."

Virginia Kraft Payson—sportswriter, big-game hunter and widow of Charles Shipman Payson—has equally scant regard for her stepson and his three sisters. "They felt they deserved whatever they wanted," she says, diamonds and sapphires glittering about her wrists. "I can't imagine them going out and earning a living."

For the past two years Virginia Payson, now 57, has been battling her four stepchildren for control of Charles Payson's $70 million estate. When Payson died in 1985, at 86, his children received only the Stonecroft estate and a handful of paintings. Most of the money—as well as the estates in Lexington, Ky., Hobe Sound, Fla. and Sands Point, N.Y.—went to Virginia. Within weeks of his death, Payson's children were talking to lawyers about contesting the will.

The battle between Virginia Payson and her stepchildren is a classic tale of greed, ambition and revenge—a fight over money, stoked with pent-up resentment. According to Virginia's lawyer, Russell Brooks, a partner with Millbank, Tweed, "Virginia was something these kids had never encountered before—a smart, tough woman who captivated their father."

Joseph Rychetnik

UPI/Bettmann Newsphotos

Virginia Kraft (top); *Charles and Virginia Payson's wedding day* ***They met at a turkey hunt.***

Counters her stepson John Payson: "She was a big-game hunter, and my father was the prey."

Reared in Astoria, in the New York City borough of Queens, the eldest daughter of a Johnson & Johnson salesman, Virginia Kraft went through Barnard (class of '51) on a scholarship and became a writer for *Sports Illustrated.* Her beat was big-game hunting. In 1967 she became the first woman to finish the world championship dog-sledding race across Alaska; frostbite scars still mar her handsome face. She hunted European stag and wild boar with Generalissimo Francisco Franco, ibex with the shah of Iran and tigers with both kings of Nepal, and ballooned around the world with Malcolm Forbes. On assignment for *Sports Illustrated,* she met Charles Payson at a wild turkey hunt at his Florida hunting ranch. Her profile, titled "At Payson's Place He's Just Plain Charlie," appeared in April 1977. She described her host as "a huge man with hands the size of dinner plates and a great booming voice."

She was 47, divorced, with one son and three daughters. He was 79 and enchanted. They married in December.

Where old money and unhappy families are involved, love is rarely a simple thing. For better or for worse Virginia Kraft was marrying into a great deal of old money and a very unhappy family.

Charles Payson's fortune traces to 1924. That was the year he was graduated from Harvard Law School and married one of the country's wealthiest women, Joan Whitney. When her father, financier Payne Whitney, died three years later she inherited half his estate of $194 million, pretax. The other half went to her brother John Hay (Jock) Whitney, who headed Whitney Communications *(see p. 200).*

Charles Payson did not come from much money. But he was shrewd and multiplied the money he married. While still in his 20s, he used Whitney money to take over a small sugar company. He circumvented high tariffs by importing sugar syrup rather than cane. Instead of paying $40 a ton in taxes, he paid 83 cents—and made many millions. In 1927, as chairman of the Rustless Iron & Steel Corp., he won a $500,000 patent suit protecting his rights to a low-cost process for

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making stainless steel. When Rustless merged into Armco Steel Corp. in 1937, Payson became one of Armco's largest shareholders and remained a director until forced to retire in 1969.

Charles and Joan Whitney Payson had five children (their eldest son died, at 18, at the Battle of the Bulge). But over the years the couple grew apart and, by 1945, the Paysons had begun to lead separate lives.

The children were raised largely by the servants. "We always had a good time with [our father]," says Payne Middleton, 60, looking out over the East River from her Sutton Place apartment. "But you learned not to count on him. He was satisfactory . . . that's the minimum, isn't it?"

As they grew apart, Charles Payson attended to business and discreetly visited his mistresses. Joan became the toast of the sports world. There was Greentrees, the horse farm in Lexington that she owned with her brother; it produced Tom Fool, who won the Handicap Triple Crown in 1953. But it was her $3 million launch of the New York Mets in 1962 that crowned her fame. She became a fixture in a front box at Shea Stadium, a ruddy-cheeked cherub shaded by an orange-and-blue baseball cap.

Joan Whitney Payson died of a stroke in 1975 and was buried to the strains of "Take Me Out to the Ball Game." She left the bulk of her $100 million (aftertax) estate to her husband, with $7.5 million set aside in trust for each of the kids. Their father, Payne Middleton remembers, told her that she and her siblings would receive an additional $5 million apiece from his estate when he died. But that was long before he left everything to his strong-willed hunter.

Even the children grudgingly concede that the marriage was a love match. But they never warmed to their new stepmother, perhaps because they had never been close to their father. They blamed Virginia—incorrectly, she says—for the sale of their mother's baseball team, then in the red, to Nelson Doubleday in 1980.

What worried them most, the children say, was the way their father and Virginia began spending money—Whitney money, their money, they thought—on what they considered to be Virginia's projects. Starting in 1979 the couple spent millions building their own horsebreeding operation, including a training park in Florida and stables in Saratoga. "Only the Whitneys' stable [which now belongs to cousins Mary Lou and Sonny] is bigger," boasts Virginia.

Over the course of his marriage to Virginia, Charles Payson rewrote his will no fewer than 16 times. Virtually every version left less to his children.

By 1984 the children became concerned that Payson's health was deteriorating. They spent $11,000 on private investigators to see if, in John's words, "anything could be done about removing him from Virginia." But the months-long surveillance only confirmed that Virginia was as zealous in her care of her ailing husband as she had been with virtually every other goal in her life.

Charles and Joan Whitney Payson in 1924 (top); *Joan cheering the Mets*
Toward the end, separate lives.

Despite Virginia's ministrations, Charles Payson died of a heart attack in April 1985. When the children received the will, they were shocked to discover that practically everything had passed to Virginia.

In his study at stately Stonecroft, John Payson remembers his father's funeral, held near the Maine estate.

"Just after the funeral," he recollects, "Virginia's son [from her first marriage] approached our limousine driver. The driver said, 'Gee, this is a nice house.' Her son said, 'It's not bad. We didn't get it—but we got everything else.'

"That," says John, tears welling in his eyes, "is why I decided to fight."

Within weeks the four children hired Paul, Weiss, Rifkind to contest the will, claiming undue influence by Virginia. The children repeatedly sent their lawyers to Virginia's lawyers to settle, to no avail. "This isn't about money," Virginia says she told the emissaries. "It's about a man's honor, and that's not a subject for negotiation."

The trial, 13 weeks of bile and vitriol, began last March. The children charged that Virginia pressured their father into leaving them so little in his last will. Virginia claimed he had done so because he was ashamed of the spoiled children he had produced. Besides, her lawyers argued, the children were well cared for with the money their mother had left them. And hadn't Charles Payson lent the children over $1 million during his last years and forgiven all the loans? Wasn't that enough? The jury thought so and, last June, sided with Virginia.

For now, the children plan no appeal. There is talk they may lobby for a law that ensures children their right to inherit. "They have it in France," says John. How would it work? "I haven't really thought that far ahead," he trails off.

As for Virginia, she plans to continue her horse operation and talks of writing a novel.

A few loose ends remain. Under Payson's will, Virginia gets the income from a $29-million-plus marital trust that reverts to various Payson children and grandchildren at Virginia's death. There has been talk of liquidating the trust, but it still hasn't been resolved. Virginia has also offered to trade a portrait of John as a child in exchange for their box at Churchill Downs. Also in question is the fate of the 16,000-acre Florida hunting ranch, where Charles Payson and Virginia Kraft first met. On all these issues, Virginia and her stepchildren remain far apart. ■

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Matthew Josephson's "The Robber Barons" was bad history, and much of it was simply untrue. Nevertheless, this book helped shape modern America's attitude toward great wealth.

A robber historian

By Maury Klein

THE PHRASE "the robber barons," popularized by Matthew Josephson's 1934 book of the same name, is one of the most overused and least useful labels in all American history. Yet it has gone a long way toward shaping the attitudes of Americans toward wealth. Josephson's glittering phrase, meant to describe the builders of great fortunes and great businesses in the late 19th century, has endured for five decades, despite repeated efforts to give it a decent burial. One generation after another of undergraduates (myself included) have relished Josephson's sharply etched portraits of primeval predators and their innocent prey. Even scholars have not been immune to its charms. Some still confuse the phrase and the book that popularized it with history (and assign it to their students), and popular writers have kept the faith by continuing to depict the era as one of robbers without cops.

Why has this tired cliché retained its clawlike hold on the popular mind? Josephson and his successors had one great advantage over their critics: They were always easier and more exciting to read than scholarly works seeking to portray something deeper than a cast of colorful rogues brawling over the spoils of their rapacity. The critics may have been wiser, but Josephson was cleverer.

Originally, robber barons referred to the business leaders who transformed 19th-century America from an agrarian to an industrial society, amassing huge fortunes for themselves in the process. Then, as now, the U.S. economy was rapidly changing. Opportunity was everywhere, and the entrepreneurs Josephson calls the robber barons were the right men in the right place at the right time. They were to the American economic system what the founding fathers were to our political system. Yet, while the founding fathers are revered, the entrepreneurs have long been reviled—not builders, but thieves.

If the robber barons were not the unvarnished villains of legend, what were they? There is no need to rush to the opposite extreme of Josephson and paint them as "industrial statesmen" whose farsighted vision made America great. As a group they were a richly varied lot whose legacy is so tangled a blend of creativity and destructiveness that it defies easy generalization. But Josephson plowed ahead into easy generalization anyway.

America after the Civil War was in a feeding frenzy of economic development. The land, the resources and the labor force were all there in staggering abundance. The political and legal system offered fewer restraints to individual action than could be found anywhere in the world. Never before or since have opportunities been more ripe for those capable of mobilizing capital and organizing large enterprises.

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undertook to list all the millionaires in the U.S. and came up with 4,047 names—this at a time when the average nonfarm worker took home about $495 annually, and there was no income tax. Those labeled robber barons counted their fortunes by the tens and even hundreds of millions. The age of the superrich in America had dawned.

Americans have always been ambivalent in their attitude to business and its leaders *(see, for example, Press Clips, p. 390)*. In our open, competitive system, we value wealth as a marker of success while remaining uneasy about wealth as a value in itself. The robber barons brought this ambivalence to a state of crisis by piling up riches on a scale never before imaginable. They tended to be monomaniacal in their dedication and unabashed in their goals. "I do not love the money," declared Philip D. Armour, the meatpacking magnate. "What I do love is the getting of it. . . . What other interest can you suggest to me? I do not read. I do not take part in politics. What can I do?"

Thus, it was not difficult for critics to paint the entrepreneurs not as a creative force in the economy but as ruthless freebooters who squeezed rivals by unscrupulous means, exploited workers, corrupted public officials and squandered national resources in wasteful competitive wars to gain their ends. Once possessed of great wealth, they indulged themselves in lavish displays of extravagance while condemning vast throngs of people to a life of misery and poverty.

In 1892 the New York Tribune listed 4,047 millionaires in the U.S.—at a time when the average nonfarm worker took home about $495 annually.

The robber baron became an engine of destruction who gained success by climbing over the bodies of those he ruined or exploited. Far from being the embodiment of national values and the American dream, he loomed as the agent of their extinction.

No one knows the precise origin of the term "robber baron." In his old age, Matthew Josephson attributed it to an antimonopoly pamphlet by some Kansas farmers in 1880. As early as 1869 E.L. Godkin, editor of *The Nation*, referred to "medieval barons," and social reformer Carl Schurz actually used the words "robber baron" in an 1882 speech at Harvard. By 1888 the term had wide enough currency that an official of the Union Pacific Railroad, sent abroad at company expense to regain his health, could joke in a letter that he was "acting, as well as I know how, the part of a robber baron, plundering the Union Pacific right and left."

The first concerted attack on the entrepreneurs came at the turn of the century from the muckrakers. Writing in popular magazines like *McClure's*, their sensational articles on business corruption set the tone of outrage but did not attach the robber baron label.

A socialist critic named Gustavus Myers took a different tack by producing a ponderous tome entitled *History of the Great American Fortunes*. Published in 1910, it claimed to be unbiased and grounded in painstaking research. A sample of Myers' idea of detachment can be found in his description of Jay Gould as "a pitiless human carnivore, glutting on the blood of his numberless victims . . . an incarnate fiend of a Machiavelli in his calculations, his schemes and ambushes, his plots and counterplots."

Under Myers' pen, Cornelius Vanderbilt became "the foremost mercantile pirate and commercial blackmailer of his day," Russell Sage a stingy hypocrite, J.P. Morgan a sanctimonious tyrant, and the "small pirates" all relentless engines driven by greed.

Myers' sulfurous assault on capitalists had little circulation. But it did leave an indelible imprint on Matthew Josephson, whose *The Robber Barons* carved the term and the legend into stone. The son of a banker and himself a refugee from Wall Street, Josephson was one of many writers at the time determined to savage businessmen for what was believed to have been their role in bringing on the 1930s Depression. A vivid, entertaining work, *The Robber Barons* offered a seemingly compelling explanation for where businessmen in America had gone wrong. The robber baron quickly became a shorthand image for the failing of industrial America, the glib answer to the question "What's wrong with this country?"

What really appalled two generations of reformers were the ghastly extremes wrought by industrialization. By attributing all these ills not to economic and social forces but to the rapaciousness of a handful of high-profile individuals, Josephson provided reformers with an easy target.

These men were simply part of the most sweeping economic revolution in history, a revolution that produced enormous material wealth: From 1890 to 1910 the U.S. GNP compounded at 6% per annum. In terms of growth, we were the Korea of our day. But the conditions of this growth also produced, for a time, grinding urban poverty. The shock of the Great Depression confirmed the fears of socialists and reformers alike that capitalism was running to dangerous excesses. They unhesitatingly blamed the dominant business leaders for the horrors of the Depression.

Josephson's term "robber baron" was more specific than many people realize. It referred to the nobles of medieval times whose control of a strategic mountain pass or river crossing enabled them to charge travelers exorbitant tolls for passage. Here is a typical example of Josephson's purple and intemperate prose: "In all these cases the disposition of power, the division of 'spoils,' was settled no more peacefully than were the rivalries of the old feudal barons; sometimes they were not unaccompanied by bloodshed, and by tremendous waste and destruction. Nor was the continually raging warfare in the economic society softened by any recognizable code of chivalry such as the Middle Ages boasted."

Josephson returned again and again to historical metaphors with their flavor of violent, scheming, greedy individualism run amok. One chapter bears the title "Caesar Borgia in California."

As demonology, the robber baron metaphor is enticing; as history, it has as much to do with the actual role of the entrepreneur as a John Wayne movie does with western history. Josephson stood tall in the saddle by reducing complex forces and events to the appealing simplicity of us versus them, the good guys against the bad guys. He seemed unwilling or unable to grasp that something more was at work.

Following in Gustavus Myers' footfall, Josephson made the socialist economists' classic mistake. Ignoring the U.S. economy's phenomenal growth during the last quarter of the 19th century, he assumed that because the rich were getting richer, the poor must be getting poorer. That was, after all, the way it worked in medieval times, but the industrial economy worked very differently. In fact, the poor steadily improved their lot; it was the sheer size of the new fortunes that made the gap widen.

Nor did it occur to Josephson that many, if not most, of the immigrants toiling in the slums were still better off than they had been in the old country, or that they were working toward a better future for their children, if not for themselves—something that made squalor and misery easier to swallow here than there.

In his zeal to indict the robber barons for the size of their

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fortunes, Josephson minimized what they had done to earn them: the creation of railroads, mines, mills, factories, refineries, communication systems—the entire infrastructure of industrial society. In the process, they increased productivity to unprecedented levels, raised the standard of living for everyone and provided jobs (at low wages) for the thousands of immigrants and rural folk streaming into the cities.

Were the jobs at low wages? They were. The hard truth of economic history is that most early industrial progress has been built on the backbone of cheap labor—here and in England in the 19th century; in Japan, Korea, Taiwan, and now China, in the late 20th century. The process is never a pretty one, but it seems to be a price paid to get over the hump of productivity, and we were hardly unique in paying it.

In the end everyone benefited, as Edward Atkinson, a cotton manufacturer, tried to show to a group of workers in 1886. Cornelius Vanderbilt, said Atkinson, made about 14 cents profit on every barrel of flour shipped over his railroads. At the same time, he lowered the price of flour, thereby saving shippers and consumers a much larger sum.

"Did Vanderbilt keep any of you down," challenged Atkinson, "by saving you $2.75 on a barrel of flour, while he was making 14 cents?" Such subtleties were lost on Josephson, whose colorful, action-packed arena tends to ring nonstop with the clash of 14th-century iron swords.

Carter Goodrich

At best, Josephson was an amateur historian. Facts were his Achilles' heel. He did not dig very deep for them, and he tended to take what he found at face value—especially if they suited his themes and imagery. Almost everything Josephson says about Jay Gould, for example, is wrong; at one point he can't even get right the year Gould died (it was 1892, not 1891). He relays an armload of myths about the Pacific Railroad Acts, the Union Pacific and Crédit Mobilier, gives the Central Pacific a federal instead of state charter, and confuses the relationship between early steamship lines and the new transcontinental railroad.

Throughout *The Robber Barons,* Josephson has people walking on stage at the wrong time or events occurring in the wrong order. He harps repeatedly on the way this robber baron or that evaded the law, yet never does he discuss the role of law in that era or note how utterly inadequate it was to cope with rapidly changing conditions, for which neither suitable precedent nor applicable statutes existed. Instead of examining the context of events, he falls back on silly sentences like, "The inevitable drift to concentration was completing itself."

Like most amateurs, Josephson snatched at sources without looking at them critically. His research, in which he took great pride à la Myers, was embarrassingly thin and one-sided. Much of the material came from earlier writers whose own sources were dubious and whose work is largely discredited today. He does not pause to consider that his sources might be less than truthful or complete—that there might be more to the story. Josephson, in short, was not even a particularly competent journalist.

How little Josephson grasped of the historical process can be seen in this astonishing passage from a preface he wrote for a new edition of *The Robber Barons* in 1962: "On late years, however, a group of academic historians have constituted themselves what may be called a revisionist school, which reacts against the critical spirit of the 1930s. They reject the idea that our 19th-century barons-of-the-bags may have been inspired by the same motives animating the ancient barons-of-the-crags. . . . They have proposed rewriting parts of America's history so that the image of the old-school capitalists should be retouched and restored, like rare pieces of antique furniture. This business of rewriting our history . . . has unpleasant connotations to my mind, recalling the progaganda schemes in authoritarian societies and the 'truth factories' in George Orwell's anti-utopian novel *1984.*"

This statement amounts to a confession of ignorance about what history is and how it proceeds. In equating revisionism with Orwell's Ministry of Truth, Josephson betrayed his ignorance of the crucial distinction between changing the facts and changing the interpretation of facts. Much of what historians do reinterprets the past by adding new information, correcting old errors and offering new slants on old or existing information. But Josephson thought the writing of history stopped with his work and nothing more needed to be said on the subject. (Ironically, it was the man to whom *The Robber Barons* is dedicated, historian Charles A. Beard, who emphasized that every generation writes its own history.)

As serious history, then, *The Robber Barons* is a shoddy mess. The characters are crudely drawn because closer scrutiny would have blurred the focus of Josephson's indignation. Josephson painted in crisp blacks and whites when subtle shades of gray were wanted.

Josephson is a moralist, not a historian. Moralists have their place. But their writing should be taken as pamphlets and tracts. It should not be taken as serious history that fundamentally shapes the way we view not only the economy's development but our entrepreneurial class as well.

We should pay attention to all this when trying to understand the sometimes confusing events of today. Modern economic conditions bear some striking similarities to the Victorian era, most notably a veneer of great wealth and prosperity beneath which churn turbulent currents of constant change, social unrest, massive dislocations and deep uncertainty. In times of rapid change, when people are cut loose from their roots and have no clear identity, money defines who they are by what they have. In Victorian America money talked in a louder and more raucous voice than ever before. But people like Josephson confused the symptoms of change with the change itself, and so missed the point and real meaning of the economic revolution. We have our Josephsons today. ■

Maury Klein is a professor of history at the University of Rhode Island and the author of "The Life and Legend of Jay Gould" (Johns Hopkins University Press, 1986). He has just completed volume one of "Union Pacific: The Birth of a Railroad, 1862-1893" (Doubleday, 1987) and is working on a biography of E.H. Harriman.

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The rich got richer last year.
To maintain their living standards as the dollar fell, they had to.

The Forbes Four Hundred Cost of Living Index

By Christie Brown

The general public has the benefit of the Consumer Price Index to tip them off about rising costs of necessities. From July 1986 to July 1987 the CPI rose 3.9%. For the same period a year earlier, the increase was 1.9%. This year's climb is largely the result of energy price rises.

But that 3.9% rise in the cost of an ordinary lifestyle looks good beside the jump in the cost of maintaining a Forbes Four Hundred lifestyle. From July 1986 to July 1987 our luxury index shot up 19.3%—far higher than the yield on tax-exempt bonds.

There are always the odd bargains, of course. The price of a chestnut Thoroughbred at Keeneland dropped 9% last year, from $408,000. Prices of a week at the Golden Door and those keep-in-touch calls to London advanced not at

Apparel			
Coat, natural Russian sable by Maximilian Fur Co., N.Y.	**1976:** $40,000	**1987:** $135,000	**Change 1986-87:** up 12.5%
Dress, Adolfo Couture Classic	**1976:** $950	**1987:** $1,500	**Change 1986-87:** up 20%
Loafers, Gucci	**1976:** $89	**1987:** $225	**Change 1986-87:** up 15.4%
Shirts, 1 dozen cotton Turnbull & Asser, made to measure	**1976:** $448	**1987:** $1,295	**Change 1986-87:** up 20%
Shoes, men's black calf wing-tip, custom-made, John Lobb, London	**1976:** $202	**1987:** $1,127	**Change 1986-87:** up 20.4%
Educational expenses			
School, preparatory, Groton, 1-year tuition, room, board	**1976:** $4,200	**1987:** $12,800	**Change 1986-87:** up 7.6%
University, Harvard, 1-year tuition, room, board, insurance	**1976:** $5,900	**1987:** $17,100	**Change 1986-87:** up 11%
Entertainment			
Catered dinner, for 40, by Ridgewells, Inc., Washington, D.C. (Menu: soup, salmon, veal, dessert; wine not included)	**1976:** $2,200	**1987:** $5,200	**Change 1986-87:** up 44%
Opera, 2 season tickets, Metropolitan Opera, Saturday night, box	**1976:** $480	**1987:** $1,710	**Change 1986-87:** up 5.5%
Food at home			
Caviar, beluga malossol, 1 kilo tin, average retail	**1976:** $283	**1987:** $975	**Change 1986-87:** none
Champagne, Dom Perignon, case, Sherry-Lehmann, N.Y.	**1976:** $300	**1987:** $635	**Change 1986-87:** up 6.7%
Filet mignon, 7 pounds, Lobels, N.Y.	**1976:** $50	**1987:** $105	**Change 1986-87:** none

Food away from home			
Dinner, La Tour D'Argent, Paris; Michelin estimated price	**1976:** $34	**1987:** $97	**Change 1986-87:** up 8.3%
Home furnishings			
Piano, Steinway & Sons, concert grand, Model D, ebonized	**1976:** $13,500	**1987:** $43,700	**Change 1986-87:** up 10.4%
Flowers in season, arrangements for 6 rooms, changed weekly, by Christatos & Koster, Inc., N.Y., per month	**1976:** $1,400	**1987:** $2,500	**Change 1986-87:** up 25%
Sheets, set of embroidered silk, by Pratesi, queen size	**1976:** $1,218	**1987:** $3,020	**Change 1986-87:** up 13.1%
Silverware, Kirk Stieff Co., Colonial Williamsburg Shell pattern, 4-piece place setting, for 12	**1976:** $1,341	**1987:** $4,020	**Change 1986-87:** up 43.6%
Lodging while out of town			
Hotel, 2-bedroom suite, park view, The Sherry-Netherland, N.Y.	**1976:** $250	**1987:** $660	**Change 1986-87:** up 10%
Medical care			
Face-lift, Amer. Acad. of Facial Plastic & Reconstructive Surgery	**1976:** $4,000	**1987:** $5,000	**Change 1986-87:** none
Hospital, VIP, Washington Hospital Center, Wash., D.C., 1 day (2 bdrms, lvg rm, concierge, security, gourmet meals)	**1976:** $325	**1987:** $644	**Change 1986-87:** up 23%
Psychiatrist, Upper East Side, N.Y., 45 minutes, standard fee	**1976:** $40	**1987:** $140	**Change 1986-87:** up 16.7%

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all. But note that a disproportionately large number of luxury-class goods are foreign-made—meaning the rich folks got clobbered by the falling dollar. The price of a pair of Purdy shotguns climbed 23% last year. A dozen Turnbull & Asser shirts rose 20%, and sensible shoes at John Lobb in London, 20.4%. (Ordinary people's shoes, according to the CPI, went up only 2.5%.)

But the dollar can't take all the blame. The cost of a U.S.-made Hatteras 53-foot motor yacht rose 10%, a Learjet zoomed 22.6%. (New vehicles in the CPI rose 3.3%.)

If you go back further *(see chart, above)*, you will find that the CPI has climbed 99% since July 1976, the base year for The Forbes Four Hundred Cost of Living Index. Our index? It has risen 166% since 1976. Depressed? Alas, even the cost of 45 minutes with a Park Avenue psychiatrist is up 16.7%, to $140. ■

Personal services			
Lawyer, established mid-Atlantic firm, partner, estate planning, average hourly fee			
1976: $80	**1987:** $150	**Change 1986-87:** up 3.4%	
Spa, The Golden Door, California, basic weekly unit			
1976: $1,250	**1987:** $3,000	**Change 1986-87:** none	
Toilet goods and personal care appliances			
Perfume, 1 oz, Joy by Jean Patou			
1976: $100	**1987:** $230	**Change 1986-87:** up 9.5%	
Sauna, by Helo, Inc., 6x8 feet, 8-person, cedar, stained-glass window			
1976: $5,000	**1987:** $7,875	**Change 1986-87:** up 5%	
Sporting goods			
Motor yacht, Hatteras 53			
1976: $214,700	**1987:** $569,300	**Change 1986-87:** up 10%	
Sailing yacht, Nautor's Swan 651 (Formerly 65)			
1976: $384,300	**1987:** $1.4 million	**Change 1986-87:** up 85%	
Shotguns, pair by James Purdy & Sons, at Griffen & Howe, N.Y.			
1976: $20,000	**1987:** $70,000	**Change 1986-87:** up 23%	
Thoroughbred, yearling, average price at Keeneland select sales			
1976: $67,300	**1987:** $371,300	**Change 1986-87:** down 9.8%	
Sports facilities			
Swimming pool, Olympic, standard site			
1976: $180,000	**1987:** $481,500	**Change 1986-87:** up 7%	
Tennis court, clay, standard site			
1976: $25,000	**1987:** $45,000	**Change 1986-87:** up 21.6%	
Toys and hobbies			
Train set, G gauge, by LGB, FAO Schwarz, N.Y.			
1976: $178	**1987:** $425	**Change 1986-87:** up 30.7%	

Transportation, private			
Airplane, Learjet 35A, with typical options, certified 10 passengers			
1976: $1,800,000	**1987:** $3,800,000	**Change 1986-87:** up 22.6%	
Helicopter, Sikorsky S-76, full executive options (introduced 1978)			
1978: $1,300,000	**1987:** $3,700,000	**Change 1986-87:** up 8.8%	
Automobile, Rolls-Royce Silver Spirit (Formerly Silver Shadow)			
1976: $38,000	**1987:** $109,700	**Change 1986-87:** up 6%	
Transportation, public			
Airline ticket, British Airways Concorde, round-trip N.Y.-London			
1976: $1,512	**1987:** $5,998	**Change 1986-87:** up 12%	
Utilities and public services			
Telephone call, 10 minutes AT&T. N.Y.-London			
1976: $12	**1987:** $10.56	**Change 1986-87:** none	
Other goods and services			
Cigars, Cuban, box of Dunhill Valadero, Toronto			
1976: $146	**1987:** $410	**Change 1986-87:** down 5%	
Magazine, Forbes, 1-year subscription			
1976: $15	**1987:** $45	**Change 1986-87:** up 7.1%	
Suitcase, Loewe, black napa leather, 27-inch-long			
1976: $739	**1987:** $1,700	**Change 1986-87:** up 6.3%	
Watch, Patek Philippe classic man's gold, leather strap			
1976: $2,450	**1987:** $6,350	**Change 1986-87:** up 17.6%	
Purse, Hermès, "Kelly bag," calf, 10 inches			
1976: $550	**1987:** $2,150	**Change 1986-87:** up 13.2%	

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Frank Lorenzo, Chairman, Continental Airlines

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The modern American heiress is lucky. She can work. The same, alas, cannot be said of her predecessors.

Poor little rich girls

By Carol McD. Wallace

If it is not as easy as it once was to be an heiress, it is certainly more pleasant. These days, achievement on one's own, preferably in the business world, is what it takes to become a social, as well as a personal, success. Caroline Hunt, H.L.'s daughter, builds hotels and runs her business empire. Katharine Graham has built the Washington Post Co. into the institution it is today. Anne Cox Chambers served as Jimmy Carter's ambassador to Belgium and still helps guide Cox Communications. Such roles for women were unimaginable at the time these heiresses were born.

How, then, did late 19th-century American heiresses make their mark in the world? Look at many of their lives, and a depressing picture emerges. Unable to distinguish themselves through work, their lives became devoted to ascending to the social aeries. Those ambitions were achieved most easily by making matches with European nobility—matches with consequences that were frequently disastrous.

The discovery that wealthy American women could marry into distinguished (if poor) European families and then flaunt their matches back in New York was made almost by accident. Three girls whose families had been rejected by New York society happened, in the 1870s, to marry English aristocrats. Jennie Jerome, daughter of upstart stock speculator Leonard Jerome, became Lady Randolph Churchill in 1874. Consuelo Yznaga, daughter of a southern planter, married the Duke of Manchester in 1876. Minnie Stevens, whose father ran the Fifth Avenue Hotel, wed Captain Arthur Paget, grandson of the Marquess of Anglesey.

Around the turn of the century three Grace girls (nieces of the original W.R. Grace) married Englishmen. Consuelo Vanderbilt, great-granddaughter of the Commodore, wed the Duke of Marlborough in 1895. Maude Lorillard, of the tobacco family, married Lord Revelstoke. Amy Phipps, of the steel fortune, married the Honorable Frederick Guest.

While some of those transatlantic marriages succeeded, many heiresses would have been

Lady Churchill and her syphilitic lord (inset)
She adopted her husband's attitudes toward recreational adultery.

Carol McD. Wallace is a writer based in New York City. This article is based on her upcoming book To Marry an English Lord, *with Gail McColl*

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Southern belle, Duchess of Manchester
Abandoned by her husband.

better off if they had stayed home—and probably much better off if they had been able to express themselves through work. By the early 1900s an unpleasant fact about these matches was emerging: All too often they didn't work. Tales of disillusionment and estrangement, and sometimes breakdown and death, began to drift back to America. Only a few years after marrying the Duke of Manchester, Consuelo Yznaga was virtually abandoned by her husband, who lavished diamonds on a music hall singer and left his wife, once so vivacious, languishing on their country estate in Ireland. She never divorced, but eventually established herself as a society fixture in her own right. Among her rumored affairs was one with the Prince of Wales.

Florence Garner, whose father made a fortune in printed cotton fabric, insisted on marrying Sir William Gordon-Cumming, even after he'd been cashiered from the army for cheating at cards. Romantic, perhaps. But the marriage doomed her to life on a gloomy Scottish estate with an arrogant boor who later established his mistresses under the same roof.

On occasion, heiresses adapted well to local custom, perhaps too well. Jennie Jerome, Lady Churchill, enjoyed English life despite Randolph's mental and marital instability and death, at 45, from syphilis. She did so, at least in part, by energetically adopting his aristocratic attitude toward recreational adultery. To the wagging of noble English tongues, she consummated torrid affairs with Edward, the Prince of Wales, Polish Count Kinski and many others between and during her three marriages. Son Winston, it might be noted, did not scruple to ask favors from his mother's lovers. Western history might look quite different but for Jennie's passions.

Women of lesser mettle and milder appetites buckled. The rigors even of privileged life in India finally killed Mary Leiter, the Chicago department store heiress who married the ambitious English statesman George (later Lord) Curzon and moved with him to the subcontinent when he became Viceroy of India in 1899.

The beautiful, headstrong Ethel Field, daughter of Marshall Field,

Ethel Field Beatty and her captain
Enveloped by black despair.

married dashing David Beatty, a captain in Her Majesty's Navy. But his brilliant naval career and her hectic pursuit of the fashionable life couldn't prevent her from slipping into mental illness, episodes of black depression when she could neither eat nor sleep.

Determined not to live miserably ever after, many heiresses began to shed their aristocratic mates. Consuelo Vanderbilt had been secretly engaged to a New York gentleman when her mother forced her to marry, in 1895, the Duke of Marlborough. The Duke received $2.5 million from the Vanderbilt family as a wedding present. On the wedding day, Consuelo's mother posted a guard outside her daughter's room and forbade anyone to speak to her or even approach her.

Consuelo left the Duke 13 years later. "[My mother] said I had no right to choose a husband," testified Consuelo during her divorce trial, "that I must take the man she had chosen." Between the dowry and the divorce, the unhappy marriage cost her family about $10 million—the equivalent, today, of perhaps $120 million.

Alice Thaw, daughter of William Thaw of the Pennsylvania Railroad, should have thought twice about walking up the aisle

Consuelo Vanderbilt and the Duke of Marlborough (inset)
Her failed marriage cost her family over $10 million.

Department store heiress Mary Leiter—Lady Curzon—and her husband, the viceroy of India
Unable to withstand the rigors of even privileged life in India.

The British Library

·h the reprobate Earl of Yarmouth en the bridegroom was arrested outstanding debts on the morning the wedding. She married him ·way, in 1903. But failure to pay debts was only one problem. Five rs later Alice petitioned to have marriage annulled. The grounds: nonconsummation.

Culver Pictures

y Gould's daughter and her count
title didn't excuse adultery.

Anna Gould's divorce from French Count Boni de Castellane highlighted the cynicism behind many matches. Jay Gould's favorite child, Anna, was no beauty and had brought only dollars to aesthete Boni when they married in 1895. But in the end, not even the count's title could compensate for his wholesale infidelities and extravagance with her money, revealed at the time of the divorce in 1906.

By the early 1900s the transatlantic marriage was falling into disrepute. Frank Work was a New York stockbroker whose daughter Frances married the Honorable James Burke Roche (later third Baron Fermoy and great-grandfather of Diana, Princess of Wales) and divorced him on the grounds of desertion and neglect. Outraged by his daughter's distress, Work proclaimed before his death in 1911 that he thought international marriage "ought to be a hanging offense."

But hanging wasn't necessary. As America's power grew in the world, the country's heiresses felt less inclined to distinguish themselves with a European title. Meanwhile, World War I and the women's suffrage movement brought new ideas of independence and democracy to even the most conservative corners of society. When Katharine Graham was born in 1917, a privileged woman's expected place was still at home, or in her husband's shadow. But the American heiress would soon find the boardroom and other avenues to self-fulfillment opening up. If life became less simple, it also proved infinitely more rewarding. ■

Brown Brothers (inset); The Illustrated London News

Railroad heiress Thaw and her earl
An unconsummated marriage.

Queen Beatrix costs Dutch taxpayers nearly $20 million a year. How does she spend it? And why don't the taxpayers mind?

The House of Orange-Nassau's modest queen

By Peter Dragadze

THE NETHERLANDS' BEATRIX of the House of Orange-Nassau is, by most accounts, a nice lady and a terrific queen. Modest and energetic, she rises early, reads the international press, presides over state meetings at the Palace of Noordeinde in The Hague much of the day and attends official dinners and cultural events some three or four evenings a week. She often goes to concerts and the opera, has her own annual prize for young Dutch painters and sculptors and celebrates things like the recent hundredth anniversary of a flower auction house in North Holland.

Peter Dragadze has written extensively about the titled heads of Europe.

Weekends are generally spent riding or playing tennis at her private residence, sailing in the sea in the *Groene Draeck* (a 50-foot boat of Dutch design presented to her by the Dutch people on her 18th birthday) or accompanying her golf-playing husband and father. After the game, a modest club lunch for around 20 guilders (about $10) a head. Once in a while the queen and her consort, Prince Claus, will dine quietly with friends, many of them her former schoolmates from the University of Leiden, at The Hague's picturesque Hotel des Indes. Each year the family goes skiing in Lech, Austria, and summers at its country house in Italy.

What does it cost these days to live like a queen? As a constitutional monarch, Beatrix receives an annual dispensation from her people. The allowance is public information. Here is how Her Majesty's allowance broke down for 1987:

- A basic allowance of G5,731,000 (about $2.87 million), of which about $1.1 million was earmarked for maintenance of Noordeinde Palace and the private residence, the Huis ten Bosch Palace in The Hague; G2,622,000 (about $1.3 million) for paying personnel, and G918,000 (about $459,000) for pocket money—for clothes, gifts and the like.
- Special allowances from the Min-

Queen Beatrix inspects Swedish guard with King Carl XVI Gustaf of Sweden
"I want her to look great in front of the whole world," says a young subject.

istry of Transport & Public Works, the Ministry of Housing & Environment and the Home Office of G16,334,000 (about $8.17 million) for upkeep of the royal palaces and for staff salaries.

• A princely sum of G15,000,000 (about $7.5 million) for state events like receptions for important heads of state.

The cost to the Dutch taxpayers, then, of keeping their modest monarch living in right royal style comes to about $18.5 million per annum.

Of course, there are also allowances for other members of the royal family: G1,106,000 (about $553,000) for Prince Claus; G1,343,000 (about $672,000) for the son and heir, Prince Willem-Alexander; G1,494,000 (about $747,000) for former Queen Juliana, now known as Princess Juliana, along with $2.28 million from the Ministry of Transport, the Ministry of Housing and the Home Office; and G920,000 (about $460,000) for Juliana's husband, Prince Bernhard, Beatrix' father. This comes to an extra $4.7 million altogether. The royal family pays no income taxes on their stipends, of course, just a nominal tax on their pocket money.

If this seems like a lot of money for a few royals, consider their effect on Dutch employment. Among 350 persons directly employed to work in the Queen's household:

Grandmaster of the Royal Household
Chief of the Military House
Marshall of the Court
Mistress of the Robes
Master of Ceremonies
Principal Secretary
6 private secretaries
14 chamberlains (one for each province of the Netherlands and Amsterdam, Rotterdam and The Hague)
3 ladies in waiting
1 treasurer and financial adviser
1 chief of personnel
8 military aides
Palace personnel, servants, drivers, gardeners, etc.

(The government also supplies and pays for plainclothes guards and military police.)

The queen has 35 state-owned carriages, of which 14 are state gala carriages used for special occasions, such as the opening of Parliament and visits by heads of state, and 40 others personally owned and used on private occasions. These must be maintained, employing more workers.

Transport requires 25 horses for the carriages—and 45 cars (including minibuses and Jeeps), one royal train with two carriages, periodically used for occasions like the Queen's birthday and incoming state visits. There is also a 25-seat Fokker F-28 aircraft.

Fortunately, Beatrix is not required to tie up her own capital in the royal residences. The working palace and the residence in The Hague, as well as the Royal Palace in Amsterdam, are rented from the state. Among the properties personally owned are Castle Drakensteyn near Hilversum, a hunting castle in Apeldoorn and a rustic country house in Tuscany, Italy.

In addition to these properties, but less visible, is the private wealth, said to be enormous, accumulated over four centuries by Beatrix' ancestors, the traditionally businesslike rulers of this traditionally businesslike country.

Prince Maurits (1567-1625), for instance, sponsored and, to a large extent, controlled the incredibly profitable Dutch East India Co. King Willem I (1772-1843), known as the "Merchant King," kept the administration of the colonies in his own hands and established the Netherlands Trading Co., which evolved into the Algemene Bank Nederland N.V., and the Société Générale de Belgique S.A., which remains the biggest holding company in Belgium. The royal house is still said to hold a 2% to 3% interest in each company. Then there were the 75 shares taken by his grandson, King Willem III (1817-90), out of 1,200 in a tiny company to be named, by his charter, Royal Dutch Petroleum. The House of Orange-Nassau's original holding alone would make them billionaires. All that and much more makes the royal family worth uncounted billions, exempt from either inheritance or income tax and carefully shielded from public knowledge by the Netherlands government.

The Dutch don't mind or begrudge the royals their budget. In fact, most Dutchmen find pride reflected on them from their queen's lifestyle.

This sentiment was emotionally expressed to FORBES by a young medical student from The Hague. He, like most of the Dutch, will be out in the streets waving flags and cheering lustily on Queen Beatrix' 50th birthday celebration on Apr. 30, 1988. "I don't mind if she's rich," he explained earnestly. "I want to be proud of her. I want her to look great in front of the whole world. I want her to have thrones, crowns, castles and lots and lots of cash. After all, Beatrix is our queen, and if she didn't have all those things, she'd be exactly the same as me." What's $18.5 million, this young Dutchman is saying, for sovereign pride and national fantasy? ■

Photos by Benelux Press bv

Huis ten Bosch Palace, The Hague
A big piece of the budget for upkeep.

Royals at play
Tuscany in summer; Austria, for winter sports. Queen Beatrix, husband, Prince Claus, and their sons (l. to r.) Constantijn, Johan Frisco, Willem-Alexander.

At 32, Ted Field had $260 million and a burning ambition to emerge from the shadow of older half-brother Marshall V.

Divided we stand

By Peter Newcomb

As heirs to a once-great retailing and media fortune, half-brothers Marshall Field V and Frederick (Ted) Field discovered the hard way that opposites don't attract. As Marshall Field V recollects, not unfondly: "We were like the amoeba splitting apart." So complete was their incompatibility that it resulted in the dismantling of Field Enterprises, one of the country's largest media properties. But only by liquidating the business started by their grandfather could the boys forge ahead, separately.

Started by Marshall Field in the 1850s, Marshall Field & Co. became one of the nation's largest retail chains. In the 1930s the founder's grandson, Marshall Field III, sold his shares and put the proceeds into media properties with the startup of the *Chicago Sun* newspaper. By the time his heir, Marshall IV, died in 1965, Field Enterprises had evolved into a major media company, with five big-city television stations, interests in cable, the Chicago *Sun-Times* and considerable real estate.

Enter Marshall V, now 46, and Ted, today 35. Ted was growing up in Anchorage, where his mother, Kay Fanning—Marshall IV's second wife—moved with Ted and his sisters, in 1965. For years Kay Fanning published the *Anchorage Daily News*. Today she is editor of the *Christian Science Monitor*.

Half-brother Marshall V, meanwhile, had gone to Harvard. After his father's death, he was groomed to take the helm of Field Enterprises in Chicago. Four years later, at 28, he became publisher. "I barely knew where State Street was," he recalls.

Ted, 18 at the time, tried to imitate his older half-brother. He left Alaska and enrolled in Northwestern University but dropped out to pursue other interests, including car racing. In 1979 he was a member of the three-man team that won the Daytona 24-hour racing marathon.

It soon became clear that Marshall and Ted were very different people. Marshall V was the perfect son: conservative, Ivy League, the quintessence of social acceptability. Ted was gruff, unshaven, short of words and had a propensity for risky business ventures.

The years in Alaska were formative ones for Ted. Ted Field declined to be interviewed by Forbes but bade his spokesman, Bob Burkett, to provide some insight.

"Ted knew from those [Alaska] years that he wouldn't go back to Chicago," Burkett says. Perhaps he was uninterested in Chicago's social circles, where the Field name was overpowering. Perhaps it was the age difference between Ted and Marshall and the younger man's reluctance to live in his older brother's shadow. What point was there, really, in being Marshall Field V's little brother?

Frederick (Ted) Woodruff Field
Raised in Alaska, he headed for Hollywood.

As the gulf between them became a chasm, it became evident they could never run the family business harmoniously. At Ted's bidding, Field Enterprises was dissolved in 1983-84.

The final decision to liquidate shocked everybody. Fortunately, the sale of the company's assets went quickly; they were, after all, desirable properties. The *Sun-Times* went to Rupert Murdoch for $100 million. The five television stations were sold as the broadcast market began its astral climb; the stations brought in over $300 million, the Chicago station alone fetching $140 million.

By early 1984 the bulk of the Field Enterprises conglomerate had been auctioned off. All that remained were some real estate parcels and some cable television interests. The real estate fell into

Cabot, Cabot & Forbes. Marshall V wished to retain this company, with its concentration of commercial properties, for himself, and paid Ted for his half of Cabot.

Thus, in 1984, did Ted Field, 32, find himself with over $260 million in cash. What to do? Lured by the attraction, and risk, of Hollywood moviemaking, Ted moved to Los Angeles and created a movie production company, Interscope Communications.

"It clearly took Ted a while to determine what he was going to do with his life," remarks Burkett. "And I think the establishment of Interscope marked the beginning of that."

But it wasn't until his purchase of Panavision, a movie camera company owned by Warner Communications, that Ted broke into Hollywood's big leagues. He bought the company for $52 million in 1985 in partnership with a Boston-based venture capital firm headed by William Thompson. Soon realizing that partners, like older half-brothers, meant constraints, Ted bought out Thompson's interests a few months later.

In just two years Ted produced or coproduced a number of box-office hits, including *Outrageous Fortune*, *Critical Condition* and *Revenge of the Nerds*. In September Ted sold Panavision to British-owned Lee International for $142 million, pocketing some $100 million (pretax) on the deal. When was the last time older brother made $100 million in 36 months?

Spokesman Burkett says Ted has a passion for the movie business, but he stresses that it is but a small part of the overall picture. Instead, Burkett likes to talk about Ted's other investment activities, done with the likes of Forbes Four Hundred alumnus J.B. Fuqua and billionaire Lester Crown *(see p. 116)*.

"Ted does business with the big boys," says Burkett. The biggest boy in Ted's life so far is Sir James Goldsmith. In 1984 Ted put up some of the money to finance Goldsmith's march on Crown Zellerbach. Ted's interest in the deal earned him an estimated $45 million. When Sir Jimmy ran at Goodyear last year, Ted again put up some money, and shared in the greenmail booty.

"That was a serious deal," Burkett insists. "That wasn't intended solely for greenmail."

As you might expect of a young man who did not have to work for his first $260 million, Ted Field is a trendy lefty—a "fiscally conservative, socially progressive Democrat" is how Field describes himself. Spokesman Burkett: "When Ted began to focus on his business interests, he also began to focus on the need to give things back."

Ted supports a number of causes, including research into Alzheimer's disease and AIDS, as well as Robert Redford's filmmaking institute, Sundance. He recently hosted a dinner party to raise money for Elie Wiesel's holocaust memorial (Ted donated $500,000) and sits on the board of the civil libertarian organization People for the American Way, a foundation established by multimillionaire Norman Lear *(see p. 306)*. Also on the board are Chicago commodities trader and Field acquaintance Richard Dennis *(see p. 316)* and computerman Max Palevsky *(see p. 310)*.

Ted is a little calmer these days. He hasn't raced a car in over five years. He and his third wife recently bought Green Acres, the old Harold Lloyd estate in Beverly Hills. Ted bought the home in a court-ordered sale that was part of a divorce settlement. An appeal was filed to keep the home; had the appeal won, Ted could have lost a few million dollars. It lost, and Ted got the property.

What of Marshall V? A pillar of Chicago society, he was recently nominated for president of the Art Institute of Chicago. And a rhinoceros has been named after him at the Chicago zoo. His main engine is Cabot, Cabot & Forbes, which Marshall runs in his conservative way. "We're not doing giant buildings anymore on a speculative basis," says Marshall. "Real estate is like commodities. We're buying empty shelves in a market. If we're wrong, we're crucified."

As candid and accessible as Ted is private, Marshall learned a valuable lesson from his split with Ted. To avoid Field Enterprises' fate, Marshall will arrange his business affairs differently. "I don't want to build a company," he explains. "I'd rather build a group of businesses, so we don't face the same problems that my brother and I faced, where you feel it's all or nothing. I want my four kids to know that if I'm toes up and they want to divvy up the businesses so one can go one way and the other can go another way, they can. I don't want them to have the same pressure of having one corporate fixture."

It has been nearly four years since the brothers went their separate ways. Ted has turned his $260 million into something over $400 million. From an equal base, Marshall V is worth around $425 million. Impressive performances, both.

Will the two brothers ever do business together? "No, I don't think so," replies Marshall curtly. "Ted and I are very different personalities." United, they might have fallen. Divided, they stand. ■

Diane Schmidt

Older brother Marshall Field V
Raised in Chicago, and now a pillar there.

When it comes to raising children, the very wealthy are often like the very poor. But that can be good as well as bad.

"My son, I brought him up like an immigrant"

By Robert McGough

ROSS PEROT, the founder of Dallas' Electronic Data Systems, was already worth many millions by the time his son was 12. But Perot didn't want the family's wealth going to the youngster's head *(see p. 116)*. So in 1971 he drove a hard bargain, under which the 12-year-old would dig holes and plant bushes around a mile of fence at EDS. Terms were 35 cents a hole, cash.

"That seemed like a pretty good price—until he hit rock," the elder Perot recalls. "Now he's in real estate development, and every time he has a project, the first thing he does is check for rock."

Today, at 28, Ross Perot Jr. has a résumé running from roughneck to helicopter pilot and is a success in his own right. He recently capped off a year of patient effort when he assembled 16,000 acres north of Fort Worth for an industrial airport and factories.

Young Perot was lucky. When wealthy parents do not teach their children the value of work and money, the results can be tragic. Dr. Bennett Leventhal, a child psychiatrist with the University of Chicago, tells of a boy who, not satisfied with owning three motorcycles, attempted suicide when his parents didn't buy him a BMW on his 16th birthday. Examples abound of rich kids leading sadly unfulfilled lives.

Poor little rich kids? "Some authors compare wealthy children to impoverished children," says Dr. Patricia Boyle, a child psychologist at Boston's Children's Hospital and the Wellesley Center for Research on Women. "It's not the money that's a disadvantage for wealthy children. The disadvantage is not having parents."

It's a real problem. Building a business—or, for today's parents, simply paying the mortgage—can make for absent parents. The marks on a child's development often show up as a lack

David Burnett Contact

Ross Perot and son Ross Perot Jr.
Taught to work, with "lots of hugs and affection."

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Walter and Phyllis Shorenstein with daughter Carole and son Douglas
"You learn that not everybody lives in beautiful houses with a staff."

of self-confidence, masked by bravado, or with abuse of drugs and alcohol to escape boredom, or as an inability to love or work.

"What children want more than anything is approval and love," says Dr. Boyle. "Who wants to emulate somebody who's rotten to you?"

Agrees Ross Perot, citing his children: "Those kids got lots of hugs and affection."

Approval and love were also abundant for the four children of Bill Marriott *(see p. 198)*, chairman of Marriott Corp., and his wife, Donna. Recalls their 28-year-old son, Steve Marriott: "My dad was always home weeknights when he wasn't traveling, helping with homework or watching football with us."

"I do basically what my father did, which is to teach my kids how to work," says Bill Marriott. "It's not easy." He and his wife expected their children (three boys and one girl) to do household chores when young and to work summers when they were older. Steve's first job was flipping hamburgers in a Roy Rogers fast-food restaurant, a Marriott franchise, when he was 16. Not only did he tithe his pretax income to the Mormon Church, he also saved enough money to help with living expenses after he got married, during his sophomore year in college.

Today, although he has access to a trust fund, Steve Marriott lives off the salary he receives as director of sales at the Bethesda, Md. Marriott. He has a shot at the top spot, but, like his father, he has to earn it—and doing so will earn him self-respect. Thus it is not surprising when Steve says: "I enjoy working."

People like Bill Marriott and Ross Perot spent a lot of time teaching their kids about work, but for them it was simply part of the larger job of teaching them to be ethical people. Ask them about teaching their kids the value of a dollar, and they digress to tell you about their church or what wonderful mothers their wives are.

"Don't give kids a whole bunch of money," says Perot in one breath, and, in the next, "If somebody serves them something in a restaurant and they don't say thank you, hit them with a shovel."

Afraid that fancy private schools would give his three children an "exalted self-opinion," San Francisco real estate developer Walter Shorenstein *(see p. 200)* and his wife, Phyllis, sent them to public schools—and made sure not to surround them with expensive trinkets. "Kids need bicycles," says Shorenstein. "But do they need a better one than the kid down the street? No."

"They all get presents," says Perot of his children and grandchildren, "but we don't have an orgy. If kids get too many presents, they don't enjoy them."

Keith Crain, whose father, G.D. Crain, founded the chain of trade magazines, including *Advertising Age*, that is now Crain Communications, says he worries mostly about the quality of gifts. "You don't want your kid saying, 'Dad always waited for the K mart sale and that's when I got my clothes,' " Crain says. "But if the kid says 'Buy this' on Monday and you do, and on Tuesday and Wednesday, by Thursday he's pretty spoiled."

Walter Shorenstein's son, Douglas, now 32, thinks public school gave him more of a motive to work. "You learn that not everybody lives in beautiful houses with a staff," Douglas says. "Some of my private school friends thought that that was what

Rose Blumkin with son Louis and grandson Steve
"I teach them how you're poor, how you struggle."

you were owed."

Douglas Shorenstein also credits his peers in public school with forcing him to live modestly, even though his parents did not restrict him to a budget. "If I began living out of line with the way my friends lived, I got uncomfortable," he says. This was especially true on the football team, where "you're all equals," he says. "If you think you're better than everybody else because you have a few bucks, you get your ass handed to you."

Rubbing shoulders with the masses doesn't seem to have disadvantaged the Shorenstein kids much. Douglas, who worked summers as a janitor in one of his father's buildings, was an attorney with the prestigious Wall Street law firm Shearman & Sterling and now is president of Milton Meyer & Co., the family business. Carole Shorenstein Hays, 39, produced the Pulitzer Prize-winning Broadway play *Fences* and recently sold the movie rights for more than $1 million. Joan Shorenstein Barone died two years ago, after an 11-year struggle with cancer. During her illness she worked for the *Washington Post*, was Washington producer of the CBS Evening News and adopted, with her husband, a baby girl.

As well as time, teaching children about work and money—and life—also requires thought. "The more money you have," says Dr. Leventhal of the University of Chicago, "the easier it is to be expedient rather than to teach."

John D. Rockefeller Sr.'s solution was to make his children keep ledgers of their tasks and income. (Sample entries: "Practicing the violin at five cents per hour." "Killing flies at two cents per fly.")

Determined to teach his two daughters about capitalism, Wilbur Ross, a New York investment banker, bought them a hot dog truck one summer and told them to earn some money. The truck became the focus of beach parties as Jessica and Amanda gave free hot dogs to their friends. But they also earned $2,000 on the Fourth of July weekend.

Example is often the best teacher. "I don't think Dad ever lectured me about money," says Rance Crain, Keith's brother. The elder Crain never pushed either of his sons to get into the business. But his pleasure in it made it seem irresistible. "The thing I recall most from my father," says Keith, "is that working wasn't working, it was fun." G.D. worked until he died in 1973 at 88. With their mother, Gertrude, the Crain brothers have greatly expanded Crain Communications *(see p. 216)*, now estimated to be worth $300 million. *(For more on encouraging children to go into the family business, see p. 370.)*

What does New York real estate developer Donald Trump *(see p. 150)* tell his young kids when they hear about how rich their father is? "I just tell them that I work hard," replies Trump, "and that if you like what you're doing, getting rich is what happens to you."

Establishing their independence through work is a crucial psychological task for many children of the wealthy. "To succeed in business, you have to take risks, and in order to take risks, you have to have self-confidence," says Boston Children's Hospital's Dr. Boyle. "Frequently the first generations are risk-takers, but it may be hard for their children to be."

"My father was a genius," says Malcolm Borg, whose newspaper and TV company has an estimated net worth of $325 million *(see p. 206)*. "He could still quote a great deal of Shakespeare 30 years out of college. It was intimidating." Doubly important, then, that young Malcolm had a succession of jobs, beginning at 12 with work on a delivery truck. As a reporter trainee in 1959, he lived on $52.25 a week, and he still has a memento of that job on his wall.

Omaha's Rose Blumkin emigrated from Russia in 1917 and started Nebraska Furniture Mart, a 205,000-square-foot discount store, in 1937. In 1983 she sold 90% of it to Warren Buffett's Berkshire Hathaway for $55 million. At 93 Rose Blumkin still works seven days a week at the store, alongside children, grandchildren and great-grandchildren.

Rose's grandson, Steve Blumkin, 33, came into the business, but only after building confidence in his business abilities by farming cacao, macadamia nuts and coffee in Costa Rica. Rich, he is anything but spoiled. Rose would never stand for that.

"My son, I brought him up like an immigrant," says Mrs. Blumkin in her still-thick East European patois. And so for the grand- and great-grandchildren, all of whom work at the Furniture Mart. "I teach them how you're poor, how you struggle," says Mrs. Blumkin. "They never becoming big shots." ■

Kevin Horan Picture Group

Crain family on ground: Gertrude (left), *Keith, Mary Kay and Lexie. In air: Chris* (legs) *and Casey*
For Keith's father, "working wasn't working, it was fun."

Some folks think going to fancy schools improves your chances of getting rich. You couldn't prove that based on the education of The Forbes Four Hundred.

Dropouts make good

Lakeside School headmaster Daniel Ayrault
Let the students find what interests them.
Richi Trishman

By Burr Leonard

MINNEAPOLIS' Carl Pohlad was graduated from Valley Junction High School in the Iowa railroad town of Valley Junction (now a district of West Des Moines) in 1933. He was near the bottom of his class. In those days, as he recalls it, the school's teachers assigned the town's richer kids, all of whom lived in a part of town called "the Hill," to front-row seats. Pohlad's father was a brakeman. Carl sat in a back row. A buffer of four or five empty rows separated the two groups, just in case anyone forgot his place.

"I can remember it as if it were yesterday, sitting in that back row," says Pohlad, now 72. "I had a lot of acne on my face then, and I developed an inferiority complex that is with me to this day. But at the same time, I developed a complex that made me want to work harder to succeed."

After struggling through a few quarters of college, he dropped out to sell cars full-time and about ten years later took over a bank, and then more banks. Today Carl Pohlad is worth at least $550 million *(see p. 164)*.

Pohlad's Minneapolis neighbor and occasional partner, investor Irwin Jacobs, didn't come from a poor family but he was a mediocre student at North Side High School in Minneapolis. Jacobs quit college after two days and reported back to work at his father's smallish grain sack business. He figured he could learn more of what he wanted to know from watching his father than from college. "Watching him from a young age speak and work with people was an incredible learning curve for me."

David Murdock *(page 33)* has built two fortunes and is now worth over $800 million. The son of an itinerant salesman, he was dyslexic and quit school in the ninth grade.

Conglomerator O. Wayne Rollins dropped out of college. He turned that setback into a victory. "Realizing my handicap in not having a college education, I knew I'd have to work harder and longer to compensate. I probably overcompensated for not having it."

In the early 1940s, when real estate developer David Chase was 13, he was sent by the Nazis to Polish and Austrian concentration camps. "It was not the kind of experience most people seek," Chase says, delicately. "Nevertheless, it gives a basis for discipline and an appreciation for freedom when you have none, and for food when you're hungry for so many years." Chase doesn't recommend the experience to others, but his point is

that suffering, however painful, can be highly educational.

Thomas Monaghan, 50, floundered through orphanages, work farms, a hodgepodge of Catholic and public schools and was graduated last in his high school class from Ann Arbor, Mich.'s St. Thomas School in 1955.

In grade school, a nun, Sister Berada, took the young Monaghan under her wing. "All my values, all my confidence in myself—everything came from her, because she thought I could do anything," says Monaghan, who went on to start Domino's Pizza and make over $300 million *(p. 215)*.

We interviewed 18 men *(see table, p. 80)* from last year's Four Hundred who were self-made or, in two cases, greatly expanded a fairly modest inheritance. (Chicago publisher John Johnson does not appear on this year's Four Hundred because the minimum rose more than his net worth.) We asked where they went to school, what grades they got, where they're sending their own kids to school.

The results of our little survey are interesting. Of the 18, only 5 went to private high schools. One went to parochial school. The rest went to public schools. Note that only five of these self-made men rated themselves "very good" students—and five said they were "poor" students.

College? All 18 started. Only 10 finished. Among the dropouts were youthful billionaire Bill Gates and near-billionaire O. Wayne Rollins.

Only two on our list earned a graduate degree.

A fact emerges: A burning drive to succeed, abetted by the right kind of accident of fate, is more important to financial success than how well you do in trigonometry.

For example. Shelby Davis, a graduate of elite Lawrenceville School, owes more to chance than to education. He was a broadcaster who covered the disarmament talks in Geneva from 1932 to 1934 before returning to the U.S. "By luck," recounts Davis, "I began to think the dollar would go off the gold standard, and I got into Swiss francs. This seemed to be a great new game, changing dollars into francs and hitting it right. I thought I would like to get into Wall Street, and I did."

Without that little plunge into currency trading Davis might have been a successful journalist. But he would not be on The Forbes Four Hundred. Davis, 78, has since amassed $400 million, without benefit of any economics or business courses (he earned a Ph.D. in political science).

Davis proves that an elite education isn't necessarily a drawback, even though it may not pave the way to wealth. Among secondary schools turning out new rich, Seattle's private Lakeside School does pretty well. Headmaster Daniel Ayrault says the school's philosophy is to let students find what interests them, and then encourage those interests. Microsoft founder Bill Gates, 31 and worth at least $1.25 billion, was graduated in 1973. "I think we helped Bill," says Ayrault, "but he was a very bright kid." Other bright Lakeside alumni: Microsoft's Paul Allen, worth $640 million, was graduated in 1971, and Craig McCaw, 38, the force behind McCaw Cellular Communications, in 1968. McCaw and his three brothers (all Lakeside graduates) own McCaw stock worth $1.26 billion. That's six young men worth a total of over $3 billion in newly created wealth.

At least ten members of last year's Forbes Four Hundred were graduated from Culver Military Academy, the 93-year-old Indiana boarding school. Hotchkiss, Deerfield and Exeter had 7 each. Andover had 6, Lawrenceville had 5, Miss Porter's had 4 and St. Paul's had 2. In all, about 50—roughly 1 in 8 of the 400—attended just 8 of the better-known boarding schools.

But most of these were second- or third-generation wealthy. Few founders of fortunes were thus privileged. Some educators think that expensive

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private educations may actually turn a young person away from business life. "I don't think the boarding schools produce the very aggressive empire builders," says Charles Watson, headmaster of Pottstown, Pa.'s Hill School. "We graduate students who tend to go into the professions."

Indeed, a 1974 report by Frederick Peterson, then director of research and evaluation at Phillips Academy in Andover, Mass., confirms this. Of 240 Phillips Academy graduates Frederick surveyed, 98% became professionals, administrators or managers. Fewer than 1% started their own businesses.

John Poppy, a California freelance writer who was graduated from Phillips Academy in 1953 and Harvard in 1957, both on full scholarship, sheds light on why elite-educated students are probably prone to shun business.

Says Poppy: "The thing that has taken me a long, long time to handle is a powerful feeling you get from these schools of obligation, noblesse oblige, and this is not subtle at all. The teachers say it straight to your face." It was assumed that he would fulfill his teachers' expectations of public service, so Poppy tried to join the State Department. Luckily, he says, he failed the exam and is now doing well.

One of the most interesting cases involves the Field half-brothers, Marshall V and Frederick (Ted), who started their business careers with the same amount of money when Field Enterprises was liquidated in 1984 (see p. 68). Marshall, now age 46, went to Deerfield Academy and thence to Harvard. Ted, 35, dropped out of Northwestern University. In spite of the differences in their educations, each brother—on his own—has increased his original holdings by almost the same amount as the other has done.

If private school education has proven no leg up in the battle for business success, why is it that of the 18 self-made men we interviewed, 13 are sending their own children to private schools? Interestingly, most are aware that will not make the kids successful at building a business.

There appear to be two reasons: They expect their children to administer an existing business, not build one, and a private education may be good for that; and they seem to miss the education they did not get.

"Not being a good student," says Carl Pohlad, "I did not really take advantage of all the things like English and public speaking that were offered in school, and to this day I regret it." Agrees Irwin Jacobs: "There were opportunities for me to go to night school, and I'm sorry I didn't do that. I find a hunger to learn today."

Maybe what some of these self-made rich folks are saying is that there are other things in life than making money. ■

Educating 18 fortune builders

Name, age/occupation	Secondary school	Type of HS student	College/ degree	Postgrad	Kids' schools
Malcolm Borg, 49 publishing, TV production, inheritance	**private** The Hill School Pottstown, PA	average	**private** Columbia[1] B.A. Eng lit	none	private
David Chase, 58 real estate, media insurance	**public** Weaver HS Hartford, CT	average	**public** U Conn dropped out	none	private and public
Marvin Davis, 62 oil, entertainment	**private** Horace Mann New York, NY	average	**private** New York U B.S. engineering	none	private
Morton Davis, 58 stock market	**public** Girls Central HS[2] New York, NY	poor	**public** Brooklyn College B.S. economics	M.B.A. Harvard	parochial
Shelby Davis, 78 investment, banking	**private** Lawrenceville Sch Lawrenceville, NJ	very good	**Ivy League** Princeton B.A. history	M.A. Columbia Ph.D. Pol. Sci. U Geneva	private
Bill Gates, 31 Microsoft	**private** Lakeside School Seattle, WA	very good	**Ivy League** Harvard dropped out	none	—
John Harbert, 66 construction, investments	**public** Gulf Port HS Gulf Port, MS	poor	**public** Alabama Polytech B.S. civil engineering	none	private
Irwin Jacobs, 46 investments	**public** North HS Minneapolis, MN	poor	**public** U Minnesota stayed two days	none	private and public
John Johnson, 69 publishing	**public** Du Sable HS Chicago, IL	very good	**private** U Chicago dropped out	none	private
Thomas Monaghan, 50 pizza	**parochial** St. Thomas School Ann Arbor, MI	poor	**public** U Michigan dropped out	none	parochial
Arthur Nielsen, 68 A.C. Nielsen Co	**public** New Trier HS Winnetka, IL	very good	**public** U Wisconsin B.A. philosophy	none	private and public
Allen Paulson, 65 Gulfstream Aerospace Corp	**public** Petaluma HS San Francisco, CA	average	**public** U Virginia dropped out	none	public
Ross Perot, 57 electronic data systems	**public** Texarkana HS Texarkana, TX	good	**federal** U.S. Naval Acad B.S. engineering	none	private
Carl Pohlad, 72 banks, investments	**public** Valley Junction HS Valley Junction, IA	poor	**Catholic** Gonzaga dropped out	none	private and public
Robert Rich, 74 Rich Products Corp	**public** Bennett HS Buffalo, NY	average	**public** SUNY/Buffalo B.S. business admin	none	private
O. Wayne Rollins, 75 entrepreneur	**public** Ringgold HS Ringgold, GA	very good	**public** U Chattanooga dropped out	none	public
William Simon, 59 leveraged buyouts	private Newark Academy Newark, NJ	good	**private** Lafayette College B.A. govt	none	parochial and private
Preston Tisch, 61 Loews Corp	**public** Erasmus Hall HS Brooklyn, NY	good	**public** U Michigan B.A. economics	none	private

[1]School of General Studies. [2]Attended coed classes at night

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introduce a 386 portable PC. pected all this.

applications is increased even more when you add an optional 20-MHz 80387 coprocessor.

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The Bahamas' Lyford Cay Club is one of the world's most exclusive tropical paradises. But even this Eden has its problems.

There goes the neighborhood

By Ralph King Jr.

"WE'RE REALLY NOT trying to make the world a little envious," says the caftan-wrapped woman in cabana number 11. "It's just we don't want to lose this wonderful feeling." She gazes out at the azure sea that girdles these thousand acres of Bahamian tranquility known as the Lyford Cay Club, and then, in a worried tone, continues. "You know, our security blanket is very thin and getting thinner."

It wasn't long ago that Lyford Cay, with its 300-home compound, was the most secure of tropical resorts for the world's wealthy. It was here that Prince Rainier of Monaco took his family to escape media attention after Princess Grace died. Lyford is where the Aga Khan chose to honeymoon.

The rich and beautiful people pay handsomely for a slice of this paradise. A modest two-bedroom home on the golf course, with a pool, can easily cost $700,000. A less modest spread with its own beachfront recently went for $2 million.

But this is the Bahamas, and things are changing. In recent years, drug crimes, labor unions and nationalist politics have forced themselves past the guarded sentry gate separating Lyford Cay from the rest of New Providence island and fractured Lyford's tranquility. Eighty-year-old Viscountess Hardinge considers proud Lyford Cay's probable fate and sighs, "It's going to be like Miami soon."

Back in 1959, when E.P. (Eddie) Taylor, a Canadian home builder and horsebreeder, opened the club, the biggest threat was the mosquitoes. Taylor solved that by spending much of his $30 million investment to drain and fill the secluded mangrove swamp with bargeloads of sod and royal palms brought from Florida. He surrounded the swamp with a stout fence, built a clubhouse and invited 300 friends to join. Among early members: *TV Guide*'s Walter Annenberg and Allen & Co.'s Charles Allen.

Thus was born what has become one of the most exclusive resorts in the world. The club's "little green

Mike White

The Bahamas' Lyford Cay Club from the air
Founded in 1959 by Eddie Taylor; the biggest threat then was mosquitoes.

Lyford's front gate
Taxi drivers call it "the concentration camp of the rich."

book" is close to a global Social Register. Of the club's 1,000-member roster, 22 are also members of The Forbes Four Hundred. There are Fords (Henry II, Edsel II and Cristina), Loebs (John and John Jr.), Rockefellers, Vanderbilts, Scrippses. Thomas Mellon Evans has a home here, the Bacardi clan has several. From Brazil comes Antonio Braga and from Greece, Stavros Niarchos. Global investor John Templeton, a British citizen, lives full time at Lyford Cay.

And not without reason. Lyford Cay has proximity (2½ hours by air from New York, 7½ hours from London) and cachet. The club usually ha one employee for each resident mem ber. There is a spectacular golf course a platoon of fringed golf carts, 16 ten nis courts and a yacht harbor (guest from other prestigious yacht club may use the mooring facilities). Ther are windsurfing regattas, black-ti balls and the weekly barbecue an limbo contest.

"When we're here, we really do lik to relax," says Mrs. Milton Petrie who on this particular day has re ceived invitations to dine with Bil Paley and the Charles Danas, of th Dana Corp. fortune.

There is privacy, too, if you want it A week can go by without anyone' knowing you've come or what you'r up to. Not far from the Petrie place the rumored former mistress to Kin Umberto II of Italy and her husban both septuagenarians and deepl tanned, are giving a tour of their "lov garden," a 6-acre maze of path through pandanus and casuarina tree where orchids of every descriptio run riot. "Normally, we never wear stitch back here," she confesses, th diamond brooch in her head wra glinting in the sun.

Nearby, in the side yard, are th walls of the settlement built in th

Villa with private beach
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18th century by William Lyford, an Englishman who was granted the cay and who gave it his name. Eventually joined by a sandbar to New Providence, the Bahamas' most populous island, the area remained largely uninhabited until developer Taylor came along. For nearly two decades Taylor was the absolute monarch of Lyford, having the final say on virtually every penny spent and most every rule governing the place. In 1975 he finally turned the administrative duties over to the membership. Management by myriad committees has now replaced Taylor's autocracy. Ill health has confined Taylor to his stately compound at Lyford since 1981. And, his friends say, maybe it's just as well he hasn't seen the changes.

Not long after Taylor took ill, the club's board of governors responded to a rash of burglaries by hiring a 12-man patrol force and a pack of German shepherds. Paranoia? Hardly. Nassau, just 30 minutes away by car, is in the grip of a drug crisis; much of the South American drug trade bound for the U.S. passes through the Bahamas. Even Lyford's tight security (taxi drivers call it "the concentration camp of the rich") couldn't prevent a thief from driving a member's car through its guarded main gate with a safe full of jewels last March.

Also, in the early 1980s Eddie Taylor's Lyford Cay Co. dropped its policy restricting property purchases solely to club members. The Progressive Liberal Party of Prime Minister Lynden O. Pindling, who was handily reelected last June by a mostly poor, black populace, had resented the club's colonial overtones. You can now buy property at Lyford Cay without the club's approval and without joining the club—although of the 300 homeowners only 10% do not belong. A few well-connected Bahamian families have become Lyford members (honorary memberships already existed for government leaders). And some have purchased homes.

The liberalized policy also had some unwanted results. One Lyford resident, known as a Dutch businessman, was arrested by Interpol for international drug dealing.

New neighbors like the convicted dope peddler are not the only worry for Lyford Cay's residents. The club's employees have joined the nation's largest union, prompting an occasional work slowdown. Worst of all, property taxes have gone up, last year by as much as 400%, ostensibly because Lyford assessments did not reflect market value. Today, even a modest home is taxed at $6,000 (1.5%) and up.

"They want our money, but they don't want us," says a former associate of Taylor's. Adds another early member: "There's a feeling of circling the wagons."

There are, of course, still plenty of people who are willing to pay for Lyford's beauty, to join Lyford's wealthy glitterati, to enjoy that sense of security, however fragile. There is now a long waiting list to join the club. Once an applicant is accepted, the initiation fee is $25,000; annual dues are up to $3,000. After waiti for over a year, William S mon, the former Treasury Se retary, was accepted for mem bership in 1984.

The club's yacht harbor
Proximity, cachet and amenities galore.

There's only so much wate front to go around, and pric for seaside property are st climbing: Figure $1 million f a waterfront site these day plus another $600,000, min mum, to build a house on i (Construction at Lyford is us ally performed by local co tractors, but nearly all mate als must be barged in from t States. Building costs run $2 per square foot and up.)

But slowly the development conti ues. Longtime residents compla that the Lyford Cay Co. is cashing on Lyford's name. Less-desirable i land plots are on the market, and t buyers aren't building homes that the inconspicuous Lyford mold. T the horror of neighbors, one loc businessman is constructing a hon modeled after a Bavarian castle. Snif Lady Orr-Lewis, Taylor's longtin companion, "It's a different class people."

The old guard is particularly di mayed by the tastes of some young members. The worst of the ne homes, they say, belongs to inves ment banker Irwin Kramer and Broa way producer Terry Allen Kramer (*M & My Girl* and *Sugar Babies*). Built for reported $4.5 million and painted shocking pink, it's known as t "Kramertorium."

A Bavarian castle rises above the palms
"It's a different class of people."

The board of governors tri its best to maintain the luxu ous ambience Eddie Tayl created. But Old World sty costs more today. To ensu that sufficient cash will ke flowing, the board has start soliciting small business co ferences and summer-on members to increase revenu Absent such merchandisi efforts, Lyford Cay's membe and residents would face ste increases in club dues and re dential assessments.

Just outside Lyford Cay main gate, New Providen Development Co., a public traded Bahamian real esta firm controlled by the Tayl family, has sold some 80 acr for subdivision. There is litt question that the area's ne homeowners will be cut fro a cloth quite different from t quietly wealthy old-time who have built Lyford Cay reputation. ■

"We've caught them napping."

eneral George Armstrong Custer, June 25, 1876.

"On to Little Big Horn for glory. We've caught them napping."

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Burmese rubies are getting more expensive than ever and now can cost four times as much as flawless diamonds. Thank General U Ne Win, Burma's socialist strongman.

"You die for sure"

By Lisa Gubernick

IN A DINGY OFFICE above a dusty back street in Bangkok, Salvador Assael, a New York gem dealer, haggles with a *cheongsam*-clad Chinese woman over two pieces of uncut Burmese ruby rough weighing about 200 carats. He's offering $2.5 million for both stones; she won't take less than $3 million. She shows him more stones, pulled from little cardboard boxes. All told, there is probably $20 million worth of stones scattered across the table. Virtually none of her inventory left Burma legally.

The only official source for Burmese rubies is the annual auction the country's government holds at the Inya Lake hotel in Rangoon, a concrete bunker affair designed as a Soviet resort. But, says Assael, sweeping his hand across the table, "You'd never see stones like this in Rangoon."

Burma's bureaucrats have proved to be as competent at mining and marketing gems as the Soviets were at designing a resort. At last year's Rangoon auction, more than half the lots went begging. "Year after year the quality of the stones that the Burmese government offers gets worse," says Véronique Ma'Arop, vice president of Van Cleef & Arpels, "and more overpriced." The good stuff gets smuggled to Bangkok, 350 miles away.

While rubies are also found in Africa and, more prevalently, in Thailand, the only source since biblical times of the finest-quality pigeon-blood rubies is Burma's Mogok mines, just north of Mandalay. Mogok's pigeon-blood stones fetch up to $200,000 a carat, retail—four times the price of a D-flawless diamond. Says Claude Saujet, president of New York jeweler Harry Winston: "We've got a waiting list for Burmese rubies."

Before 1962 gem dealers ventured freely to the Mogok mines. But then General U Ne Win took over Burma, closed it to outsiders and nationalized the mines. Official ruby production ground to a halt. Smuggling took off. Today the underground trade involves shadowy couriers and tens of thousands of dollars in payoffs—which helps to explain why prices for large Burmese rubies have more than doubled over the last two years.

Jeffrey South

Each year, according to Bangkok gem dealers, it is estimated that $50 million worth of rubies is smuggled out of the Mogok mines to Thailand. "You get caught, you die for sure," warns Bangkok ruby dealer Chirachai Tang. But for the Burmese, whose average annual income is $210, the reward may be worth the risk.

Only in Thailand, and there only recently, has the mining process been industrialized. In the ruby district of Chanthaburi in southeast Thailand, the landscape has been stripped bare by the huge bulldozers digging up the earth.

The dirt is dumped into sluices that separate the silt from the rocks, which in turn are packaged in burlap bags. Those bags are taken to the river, where peasants stand side by side with bamboo baskets, sifting through the stones, looking for the dull red ruby rough.

If that sounds primitive, consider Burma. There, a pickax and shovel do the work of a bulldozer. The mines are hand-dug wells, about 10 feet deep. A man is lowered by a rope to the bottom, where he scrapes up layers of gravel, which is then lifted by buckets to the top of the well. That gravel is then sorted for crystals.

Miners who spot the blackish red stones in a pile of rubble often hide them, coming back for them after nightfall. Most times, says Tang, "Guards are paid to look the other way."

Some miners take the perilous 200-mile trip to the Thai border themselves. More often, continues Teng, miners rely upon the handful of Burmese dealers who established contacts among the Thais before nationalization. These dealers, who often have homes both in Burma and Thailand, can usually be counted upon to get stones through to Thailand. But they charge up to 60% of the profit realized on the stones for their trouble.

The route crosses through the Golden Triangle's jungle, through the opium fields that are the single largest source of the world's heroin. There is little overlap between opium warlords and ruby smugglers. Two different businesses, explains Robert Loftis, who heads the Burma desk at the State Department. "The ruby smuggler's problems generally end when he crosses the border to Thailand," he says. The drug smuggler's problems continue."

Most rubies are smuggled through Mae Sot, a small Thai border town 200 miles from Mandalay. Near there the Thaungyin River, which divides the two countries, is shallow enough to wade across at certain times of the year.

The Ruby Trail

It's just 200 miles from the Mogok mines to the Thai border, but the danger is greater than the distance.

Safe in Bangkok, the rough is cut—and put on display for dealers. It is in the back rooms in Bangkok that the most controversial part of the ruby-dealing business ensues: burning the stones by inserting them into crucibles and then into ovens heated to 1,800 to 2,000 degrees, just below melting point. They are said to be cooked for days, reducing the "silk," secondary mineral lines that cloud the stones. Milky "star" rubies can also be burned; ideally, the heat deepens the color throughout the entire stone and increases its value fivefold or more—unless the buyer knows that the stone has been treated, in which case he can probably get the price reduced.

As C.R. (Cap) Beesley, head of American Gemological Laboratories, puts it, "If someone is spending $1 million on a stone, do you think they want something that's been monkeyed with?" But according to Abraham Nassi, a New York City gem dealer: "Today, you can't find a stone in Bangkok that hasn't been burned."

Burned or not, all of the rubies purchased in Bangkok pass through Thai customs labeled as Thai goods. Only after the stones have been exported do dealers acquire certificates of origin, the document that can make the difference in whether a stone fetches $10,000 or $50,000 or more per carat.

The most frequently used laboratories for identifying a stone's origin (stones can be mineralogically differentiated) are New York's American Gemological Laboratories and Gubelin in Switzerland. Only AGL routinely tests for burning. "Dealers use our certificates when they buy stones and Gubelin's when they sell," says AGL's Beesley.

Depending on the jeweler's confidence in his ability to sell the stone, he either buys from the dealer outright or takes the stone on consignment, charging a fee of 5% to 20%.

On outright sales, markups can range between 20% and 50% (the smaller the stone, the higher the markup). The retailer adds his own 30%-to-50% markup before the piece is sold. So a Burmese ruby that sells for $25,000 per carat in Bangkok might retail for $40,000 or more in New York City.

That's getting steep. Yet dealer Salvador Assael was so confident that ruby prices would continue to increase that he finally agreed to pay $3 million for those two pieces of rough. Where did they end up? "I would hope they end up," says Assael with a grin, "around a lady's neck." ■

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Determined to be No. 1

Brokering public works and armaments to the Third World, Israel's Shoul Eisenberg has amassed a half-billion-dollar fortune, but little love.

The world's greatest middleman

By Hesh Kestin

By all odds, Shoul Eisenberg is the world's greatest middleman. Written on the far frontiers of 20th-century capitalism, his story reads like *The Merchant of Venice* bizarrely grafted onto TV's *Dallas*, then transmogrified into some Far Eastern potboiler by James Clavell. Now 66 and entering the twilight of his career, Eisenberg has amassed little honor, many enemies and a fortune worth $500 million.

How has Eisenberg accumulated such wealth? Whether in Japanese or Yiddish, Eisenberg is the world's foremost practitioner of economic karate: the concentration of financial force to disarm, disable and dominate. By first befriending, then beguiling and ultimately buying those in a position to award centimillion-dollar government contracts, Eisenberg has sliced off juicy percentages of deals that built dams, funded plants and implemented giant development schemes around the Third World.

According to a former senior employee, Eisenberg demands 6% but will settle for 5% or less. Eisenberg claims he earns his fees, that in many client countries nothing would get done were it not for him. There is doubtless some truth to that. But Eisenberg's greed and chutzpah are legendary: Nobody loves a middleman.

In one case, the building of a $150 million glass plant in China by Britain's Pilkington Plc., Eisenberg used his Beijing contacts to demand 12.5% of a deal he had nothing to do with. He has claimed to have put in $13 million, but that's only 8.6%. Much of this cash investment may turn out to be in lieu of his "commission."

What made Eisenberg so indispensable to the Chinese that they were willing to cut him in? Why did Beijing allow him to fly his private Boeing 707 into China when the chairmen of major Western companies were waiting for visas? Partly it is Eisenberg's reputation for getting things done in the Far East (especially in Japan, South Korea, Vietnam, Thailand and the Philippines). Partly it is lavish gifts and the odd personal favor. But

Zoom 77 Gamma Liaison

Shoul Eisenberg
A genius for cooking deals.

most important, Eisenberg was able to deliver something the Chinese really needed: the modernization and repowering of Soviet-designed tanks and artillery—by Israel.

Eisenberg has long been Israel's leading private arms broker. His 500-strong international dealing staff is peppered with former Mossad operatives, Israeli army officers, ambassadors and commercial attachés. Avraham Shalom, the discredited former chief of Shin Bet, Israel's FBI, now works for Eisenberg in New York.

Eisenberg's has been a long and winding road. On the eve of World War II, as a 19-year-old Jewish refugee from the Nazis, the Munich-born Eisenberg ran to ground not in Tel Aviv but in Shanghai. Then, in 1940, he arrived in Tokyo.

Savor the paradox. There, in the home of Hitler's Asian ally, Eisenberg sat out the war. He married the Eurasian scion of a Japanese noble family and made useful friends—and money. At war's end, few questions were asked. As a nonenemy alien, Eisenberg supplied raw material to Japanese industry and finished goods to the U.S. Army of Occupation.

But nobody loves a middleman. The Japanese began dealing direct. So, in the mid-1950s, Eisenberg boldly leapt again, this time to South Korea.

Eisenberg's Korean activities are outlined in a 1978 U.S. congressional report of hearings into Korean-U.S. relations. Reads the report: "Though U.S. Ambassador Philip Habib had warned American firms to avoid Eisenberg because of his reputation for making kickbacks, President Park issued instructions in early 1973 that the Korean government should favor Eisenberg as a source of financing for commercial projects. Park was reported to have favored Eisenberg because he had provided the junta with needed funds in the early 1960s, when the U.S. was turning down development projects it considered impractical. . . . Eisenberg had a reputation among the Korean business community for obtaining contracts by paying commissions of up to 25% to influential Blue House staff members."

Nothing tells Eisenberg's Korean chapter better than the 1976 Canadian nuclear reactor affair. Armed with inside knowledge that Canada was having trouble selling its Candu reactors, Eisenberg showed up in Ottawa, promising to offload one in Seoul. Although Westinghouse had sold South Korea two nuclear reactors, and despite U.S. pressure on Seoul to keep buying from the same source, Eisenberg virtually stole the sale.

Having made the deal, Eisenberg presented the Canadians with a bill for $20 million. The amount was later bargained down to $15 million, on Eisenberg's condition that he represent Candu on any future Korean sale, and Canada's condition that Eisenberg provide an itemized list of his expenses. These turned out to be bits of paper from firms tied to his United Development Inc., registered (like most everything he owns) in Panama.

The upshot: a major political scandal in Ottawa, dismissal of high Korean officials, including the prime min-

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ister—and the beginning of Eisenberg's end in Seoul.

"He burns himself," says one intimate Eisenberg observer, who asked to remain anonymous. "Today he is not active in Korea or Japan. Somewhere along the line he overdoes it."

By the 1960s Eisenberg was active worldwide. He represented large European companies, including ICI, Fiat, M.A.N. and Siemens, as well as Japan's Hitachi and Mitsubishi. U.S. clients included Cincinnati Milacron, Combustion Engineering and GATX.

Traveling on an Austrian diplomatic passport (he is Vienna's honorary consul in South Korea), and with domiciles in Tokyo, London and Zurich, Eisenberg's true home was in the Boeing 707 that had been refurbished with two bedrooms, an office and gold fixtures. But the man without a country felt the need for a more permanent abode. In the 1970s Shoul Eisenberg chose Israel.

To ensure his welcome, Eisenberg, in a now familiar pattern, bore down heavily with considerable charm and much economic karate: personal gifts spread liberally; political contributions (in Israel's last election he gave both major parties seven figures each); investments (some $65 million); and the promise, never fulfilled, of a lot more.

"I warned them [the Israeli government] not to fall for it," a former senior Israeli official recalls, "but they wouldn't listen. It was the psychology of a banana republic."

The Knesset passed what became notorious as the Eisenberg Law. While other Israeli citizens were forbidden to hold property, securities or currency abroad—in 1977 Prime Minister Yitzhak Rabin resigned when it was discovered his wife had $2,000 in a Washington, D.C. bank—for new citizen Eisenberg's companies it became quite legal, and tax-free.

Finally, the middleman without a country had a home. "In most places he's not socially acceptable," says a former business associate. "In Israel he has a lot of honor."

Eisenberg declined to tell his story to FORBES. "Someday," he said, when we cornered him on a flight to London, "I will write it myself." But in interviews with dozens of former associates and others who know him well, a clear picture emerges.

No one refuses the call to share a kosher Japanese meal served on cushions in Eisenberg's home near Tel Aviv. His name inspires fear, even among those who have broken with him. Eisenberg's present staff aren't called the "golden slaves" for nothing. Fealty is demanded, even servility. And don't talk to reporters.

"When you are with him, you are his slave," says an ex-employee. "He never stops working, so you cannot either." Says another: "You can't take him to the theater—he's a genius at business, but he wouldn't understand a word." To squeeze an extra day into his week, Eisenberg will fly 12 hours to Tel Aviv, where offices are open Sunday, then fly 12 hours back.

His only other passion is food: He'll eat anything, and a lot. Money? "He doesn't really care," confided one former head of his Third World operations. "If you tell him you made $200,000 on a deal, he'll say, 'Not enough,' but the money has no meaning." But the getting of it does.

Eisenberg now has about $100 million in real estate ($70 million in Washington, Denver and New York, $30 million in Tel Aviv, plus as much as 1.4 million acres of Amazon jungle). His stakes in various Israeli companies are worth more than $150 million. Reliable sources put his cash and securities hoard at $250 million, said to be conservatively invested in Switzerland and the U.K.

Debt? Don't middlemen pile up a lot of it, like Adnan Khashoggi? Not if they don't gamble away their earnings. Eisenberg doesn't. "In this business," says one banker who has watched Eisenberg up close, "you don't have debt"—and here he winked—"you have overheads." There has been significant capital appreciation, and—with nothing at risk—Eisenberg has never incurred an annual loss. (His profits do swing widely, in the last decade from $10 million a year to $50 million.)

At 66, Eisenberg is clearly slowing down. Last year's coronary bypass operation barely affected him, but with no more Koreas, Eisenberg must expend his energies in less profitable places, like Belize. He would like to do more business in the U.S. But here the moves he has perfected are unlikely to work: Americans call prepaid brokerage fees bribes. Still confident that contacts will buy him entrée, Eisenberg has just hired David Kimche, distinguished former chief of the Israeli Foreign Ministry, to open doors for him in the U.S. That may not go over so well: Kimche designed Israel's part in Irangate.

Historically, Eisenberg's instincts as a middleman have cheated him out of long-term growth. "Time and again," says one source, "He was asked on deals he'd brokered to come in [as an equity partner]—and he always says no." He lost his part in Peru's Majes Dam, a five-nation consortium he took years to put together, because he could not manage it once the contract had been signed; his eye was on the next deal. Years ago he tried to bully a contract away from what was then a small Korean firm; they could have shared it. That company was Hyundai.

Eisenberg remains a one-man show. His day-to-day business is tended, not managed, by a lackluster array who qualified by marrying into the family—Eisenberg has five daughters—or being born into it. Son Erwin, keeping a wary eye on his brothers-in-law, runs the London office. The relatives are subject to paternal discipline that is absolute, castigating and often vengeful. When one son-in-law broke with the firm, Eisenberg forbade family and employees to attend his own grandson's bar mitzvah. One Eisenberg daughter had to wait years to receive her father's consent for a divorce. No son-in-law would ever go so far as to buy a house without Eisenberg's approval—assuming that he'd have the money.

"Their expenses are unlimited, but when they leave, they leave with nothing," says one observer. The heirs can be expected to divide the empire for breakup value.

In the twilight of his career, it must gall Eisenberg to know that after he is gone there will be nothing left, no corporate monument to his genius for cooking deals and for including himself in. But then, nobody loves a middleman. ■

Macleans

Eisenberg and Korean officials in 1976
"Somewhere along the line he overdoes it."

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Houston's Jerry Moore has money but craves social esteem. So he went to some length to lure our reporter to a weird meeting.

Why Jerry Moore left River Oaks

By Edward F. Cone

"FOLLOW ME," shouts Jerry Moore, already halfway into his blue 1987 Caddy. And you're off. Moore hits the gas and never looks back. You find your rented Ford barely capable of staying with him. You make the Houston freeway, and the fun really begins.

Jerry J. Moore is supposed to be guiding you into downtown Houston for a regular meeting of the city's movers and shakers. He's already five cars ahead and pulling away. So you find yourself tailgating him at 75mph in the breakdown lane, speeding past Houston cops stuck in a nasty traffic jam.

When you pull into the Allied Bank parking garage, Moore is grinning.

"Right on time," he laughs.

There's just one problem. The meeting bears no resemblance to what you're expecting. It's not what anyone is expecting. Not you, not Jerry and certainly not the Houston powers who have turned out to meet on this hot spring afternoon.

It all starts in the spring of 1986. You are on the phone with Moore, the gregarious Houstonian who is a self-made demibillionaire—and damned proud of it *(see p. 166)*. Moore's strip centers and real estate dealings have put him on The Forbes Four Hundred, which is how you've met Moore and become friendly with him on the phone.

"I've got a club," Jerry says one day. "You ought to check it out sometime. I'll make you a star with this story."

"What kind of club?" you ask.

"Me and some old boys—they're all of 'em worth over a hundred million each, you know—we get together sometimes and talk." Moore convinces you that he and his friends are the successors to the legendary Room 8-F bunch, the monied Houston power brokers—including Jesse Jones, Gus Wortham, Judge Elkins and the Brown brothers—who met in Room 8-F of the old Lamar Hotel in the postwar period and helped shape Houston into the city it is today.

"How'd you like to sit in on a meeting?" he asks. You'd like that very much, you reply.

Nearly a year passes. Then Moore wakes you up at home one morning in April and says the meeting is set, that Walter Mischer, chairman of Houston's Allied Bancshares and the personification of the Houston establishment, will be hosting. This is intriguing. Mischer, now 65, was himself a junior member of the 8-F bunch, a living link between that group and Moore's.

So here you are the next day, drinking coffee with Moore and his wife, Jean, in their authentically reconstructed French château in Houston's Memorial section. Jerry has given you the tour, rattling off the price and provenance of each objet d'art in his sumptuously decorated palace. He's shown you some of the Duesenbergs, Rolls-Royces and Ferraris from his 500-plus car collection, one of the finest in the world.

Relaxing downstairs in the game-room, Jerry talks about his childhood, which was somewhere south of dirt poor and unhappy on the north side of Houston.

"My brothers were supposed to be the geniuses," he says, "and I was supposed to be the dummy. Guess they were wrong on that one too."

Soon, you make out the hint of longing in Moore's voice. All his accomplishments and acquisitions have produced for him material status, but not social esteem. On the wall hangs a photograph of the Moores' son, of whom Moore is terribly proud. Handsome, well dressed, refined, he was born wealthy. He will be accepted. He will fit in.

The next morning Jerry talks about not fitting in.

"We lived in River Oaks for a while," he says, referring to the neighborhood where Houston's old money and power live. "It was awful. The people there were so damn stuck-up, they wouldn't even talk to you.

Demibillionaire Jerry J. Moore
Money can't buy everything.

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Guest list: (clockwise from left) *Dr. Richard Wainerdi, Walter Mischer, Jerry Moore, Michel Halbouty, Gerry Griffin, Robert Onstead, Paul Howell.*

could buy and sell that damn neighborhood. I hated it." So he left River Oaks for his French château nouveau in the Memorial section.

At his classic car museum, Moore is happy. He tussles playfully with an employee, Steve, who drives one of the huge semis in which Moore ships his antique cars. Jerry, burly and dressed in a blue sport shirt with a fraying collar, could be a trucker himself. He seems at home.

Then it's back to the château so he can grab a shower—he's been up since before dawn, like every morning, working at a construction site—and get on to the business that has brought you down here: the long-promised meeting of Moore's power-broker club.

The boardroom of the Allied Bank is standard-issue power-furnished: a long table and dark wood paneling, tasteful paintings on the walls and a grandfather clock at the head of the room. At the table we have a preparatory lunch with Walter Mischer.

Mischer talks in a slow south Texas drawl about the old days, about how things have changed. So far, so good.

Then the guests begin to arrive. And that's just what they are, guests. A club? There is no club, however loosely defined. This becomes apparent as some guests shake hands and introduce themselves to each other for the first time. This is a special meeting, called for your benefit.

But why? What would convince these men to come here? Among the guests are Bob Onstead, the supermarket mogul, and Paul Howell, chairman of the Howell Corp., the oil refining and exploration outfit. Richard Wainerdi, the head of the Texas Medical Center, is there, as is Gerry Griffin, head of the Houston Chamber of Commerce.

Puzzled, you decide to make the best of it and steer the conversation to the nature of wealth and power in present-day Houston. Their response: Wealthy Houstonians neither run nor care to run the city anymore. They look more than a little puzzled at the questions you're asking.

Finally, two hours into the ordeal, Michel (Mike) Halbouty, the renowned geologist, asks the question that has been growing in everyone's mind, save Moore's. "What the hell are you talking about?" the irascible head of Michel Halbouty Energy demands, his white moustache bristling. "I was told we were here to do a fair story on the state of Houston's economy, to counter all that exaggerated crap in the eastern papers. What's all this junk about money and power and goddamn Room 8-F?"

Heads nod around the table. Halbouty snorts and stomps out. The meeting doesn't last much longer.

Afterwards, in the Allied Bank garage, Jerry Moore looks a little sheep ish. "We really do meet sometimes, he insists. "Me and Mischer, we hav lunch, and sometimes we get Georg Mitchell, and Onstead, too."

But why had he tried to deliver puffy story on Houston's economy these establishment fellows? Was so he could someday move back int River Oaks?

"You know," he says, in the hal dark garage, "the whole time the talked up there, the whole time, wit all the back-patting and Houston su cess stories and people making mone and all, those bastards didn't mentic my name once."

And what of Mike Halbouty's cha lenge to the media to paint a mo realistic picture of Houston's econ my? The picture is fuzzy. Unemplo ment has fallen to 8.8%, from the 198 high of 12.9%. But it remains abov 1984's 6.7%, and above the nation average (6.0%). Residential real esta seems to have firmed, but commerci property is still a shambles. Oil show no sign of becoming the growth engir it was. Most of the large banks th needed bailing out have now bee saved or taken over, but there still ma be some nasty surprises.

Still, Halbouty has a point. For th press during the boom days, Housto could do nothing wrong. Now it ca do nothing right. Exaggerated storie both. ■

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The 400 Richest People in America

Prepared by Eric Schmuckler, Ralph King Jr. and Dolores A. Lataniotis
Edited by Harold Seneker
Illustrated by Tim Lewis

BILLIONAIRES HAVE BEEN busting out all over. In this, the sixth annual edition of The Forbes Four Hundred, the number of billionaires has almost doubled once again, up from 26 to 49. Put another way, over 12% of the list is composed of individuals whose net worth must be reckoned in ten digits. Down the list are closely related individuals like the Fords, New York City real estate's Rudin brothers, and the McCaw brothers of Seattle (cellular telephones), who, treated as unitary family fortunes, would qualify for billionairehood, too.

Bounteous growth in the stock market had a lot to do with swelling the ranks. Rising media and real estate values helped, too. The most astonishing increase was registered by Ted Arison, an immigrant from Palestine who built Carnival Cruise Lines into the world's biggest line of love boats. This year Carnival stock steamed into the market, making the Arison family holdings worth $1.8 billion, a 454% increase over last year's rather conservative estimate.

Other stock-market-made billionaires include Ewing Kauffman of Kansas City's Marion Labs, ace retailer Milton Petrie and Microsoft wizard Bill Gates, who deserves special mention as the world's youngest self-made billionaire. Welcome aboard, also, to those stragglers who just missed the boat last year, like Campbell Soup kingpin John Dorrance, Budweiser brewmaster August Busch, and the Tisch brothers of Loews Corp. and the U.S. Postal Service. And don't forget Joan Kroc, whose fortune still sizzles, thanks to continued gains in McDonald's stock.

New research unearthed another heir to the great Mars candy fortune, Jacqueline Mars Vogel, who joins the list at well over $1 billion. That valuation puts her at the top of this year's freshman class *(see box, p. 110)*. A better look at venerable Milliken & Co. reveals that patriarch Roger Milliken belongs in this rarefied air as well. And new information allows us to list some familiar names from Texas among the billionaires, namely three of the four Bass brothers and Ray Lee Hunt, who appears firmly in control of the "second" family's fortune.

The continued demand for prime media and real estate properties has elevated other billionaires. Rupert Murdoch's net worth nearly trebled as he fourth-networked his way to the upper reaches of the list. Then there's Oklahoma's Eddie Gaylord, whose holdings include the Grand Ole Opry and television's *Hee-Haw* as well as a slew of newspapers and TV stations. Real estate yielded shopping mall magnates Edward DeBartolo and Alfred Taubman, New York property magnates Sam LeFrak and Sol Goldman, and Irvine Ranch handler Donald Bren. Rounding out the ranks of new billionaires are Dallas takeover artist Harold Simmons (nicknamed the "Texas gunslinger"), Cincinnati money shuffler Carl Lindner, and pet-food provider and New Jersey swamp-drainer Leonard Stern.

The only people from last year's tally who slipped below the billion-dollar boundary were former Ambassador Walter Annenberg of *TV Guide* fame, who has given away a healthy slug of stock to the media schools named for him at the University of Pennsylvania and USC, and Gordon Getty, lately distanced from the $3 billion Getty trust now entangled in the Texaco/Pennzoil brouhaha.

Speaking of putting some distance in, Sam Moore Walton returns as the heaviest hitter in The Forbes Four Hundred lineup. The family holding controlled by "Mr. Sam" has skyrocketed some 89%, showing that even the richest can get richer. Put another way, Sam's $4 billion increase this year would by itself be enough to secure the top slot. And that accounts for only a small portion of the 41% gain registered by The Four Hundred as a whole. Their combined net worth jumped $64 billion, to $220 billion.

Of course, with a record-breaking 80 people new to this year's list, we must bid farewell to several familiar names from Four Hundred rosters in years past. Some, like rock 'n' roller Dick Clark and the duke of *Dynasty*, Aaron Spelling, saw their newly public companies take nosedives (Dow Jones can be tougher to beat than the Nielsens). TV hitmaker Norman Lear dropped as well, not because of bad business deals, but because of a reported $112 million divorce settlement. Ouch. Others, like Motown mogul Berry Gordy, were simply surpassed by those with bigger (or better-substantiated) fortunes. The minimum net worth in The Forbes Four Hundred this year was up $45 million, to $225 million.

The price of oil has rebounded a bit since last year, but not enough to revive the sagging fortunes of the Hunt brothers. A wealth of new information has become available on their finances since they put their main

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business in Chapter 11 last year. Although a definitive picture of their assets—pledged and unpledged—has yet to emerge, it is at least clear that our estimate of a joint $1 billion for Bunker, Herbert and Lamar last year is way too high this year. Or so their bankers tell us. For now, the three brothers drop off The Four Hundred individually and may be found in the family section. Sisters Margaret Hill and Caroline Hunt have so far managed to keep their interests separate from their brothers' spectacular decline.

Among the old-money set, the ranks were thinned by a rising minimum and the inevitable force of time, both as disperser and dispatcher. This year we dropped seven members of the du Pont family, six Mellons and five Rockefellers. The du Ponts in particular have been losing representatives on the list since their peak of 33 back in 1985; America's "first family" now holds down only 16 spots, or 4% of the list. Meanwhile, we retain six Mellons and only three Rockefellers, meaning this troika of "brand name" families occupies just over 6% of the available spots. Still, fortunes that were primarily or completely inherited continue to account for some 40% of the list. It is clearly easier to maintain a vast fortune than to create it, and the inheritors draw from the work of several preceding generations. ■

New to The Forbes Four Hundred

Tom Wolfe, the noted wag and gifted social commentator, recently observed that writing and reading about the superrich is a "great new vice," the 1980s equivalent of pornography.

Well, this edition of The Forbes Four Hundred includes a bumper crop of titillating new entries, as it happens, but it isn't wrapped in plain brown paper. The rise and fall of the very rich reflects the times.

There are 80 newcomers in all. Of these, 59 make the list for the first time. The rest have appeared before, but not last year.

Some first-timers will be no great surprise. Many others you may never have heard of, and that's the way they prefer it. Our wealthiest new entry by far, Jacqueline Mars Vogel, a recently discovered heiress to the Mars family fortune, has been the most elusive of this extremely retiring clan. Behind her is Paul Allen, long in the shadow of his childhood buddy and Microsoft cofounder, billionaire William Gates.

In fact, the first-timers include just two household names: Hollywood director Steven Spielberg and William Wrigley of the chewing gum Wrigleys. Other brand names include Lands' End clothier Gary Comer and Neutrogena soap peddler Lloyd Cotsen. Welcome also Jeremy Jacobs of Buffalo, N.Y., whose family has hawked hot dogs at ballparks for generations.

Habitual readers of the financial pages, of course, will be all too familiar with money men like Carl Icahn, Ronald Perelman, George Soros, Bernie Cantor and the Hafts, père et fils. But how about low-profile Wall Streeters Joseph Gruss and John Weinberg?

Further research on the West Coast offered up some of the less accessible fortunes. Prosperity smiles again and again on those who develop Orange County real estate (Donald Koll, John Lusk, William Lyon). Also Silicon Valley (John Arrillaga and Richard Peery). Other Californians making their debuts are movie theater moguls Marshall and Robert Naify, and two heirs to the Hoiles newspaper fortune.

The stock market's renewed acquaintance with high technology vaulted Atari's Jack Tramiel, Oracle Computer's Larry Ellison and McCaw Communications' four McCaw brothers into these ranks.

Ranked according to their net worth, here are the newcomers to The Forbes Four Hundred and where you will find them.

Name	Net worth ($mil)	Page
Jacqueline Mars Vogel	$1,150	132
Paul Gardner Allen	640	156
Richard A. Manoogian	530	168
Carl Celian Icahn	525	168
Marshall Naify	500	176
Robert Allen Naify	500	176
John Charles Haas	500	176
Fritz Otto Haas	500	176
John Orin Edson	450	182
Joseph S. Gruss	400	184
Jeremy Maurice Jacobs	400	186
Jack Tramiel	375	194
Gary Campbell Comer	350	201
Richard E. Jacobs	345	204
William Wrigley	345	204
Barbara Tyson	325	189
Ernest Melvin Fleischer	320	208
Craig O. McCaw	315	209
Bruce R. McCaw	315	209
John Elroy McCaw Jr.	315	209

Name	Net worth ($mil)	Page
Keith W. McCaw	315	209
Floyd Dewey Gottwald Jr.	310	209
Bruce Cobb Gottwald	310	209
Norton Clapp	300	209
Fayez Shalaby Sarofim	300	212
Donald Michael Koll	300	213
Harry Howard Hoiles	300	216
Mary Jane Hoiles Hardie	300	216
Ronald Owen Perelman	300	216
Abraham Spiegel	300	218
George Soros	300	219
Elizabeth L. Davenport	300	170
David Graves Mugar	285	220
Jesse Mack Robinson	275	224
Lloyd Edward Cotsen	265	224
James Haller Ottaway Sr.	255	227
Guilford Glazer	250	227
John Arrillaga	250	227
Richard Taylor Peery	250	227
Lydia Kalmanovitz	250	228

Name	Net worth ($mil)	Page
Robert Boisseau Pamplin	250	234
Herbert Simon	250	174
Edmund Wattis Littlefield	245	234
Lawrence J. Ellison	245	234
David H. Jacobs	245	204
Johnnie Bryan Hunt	240	235
Bennett Stephen LeBow	235	235
Dwayne Orville Andreas	230	236
Richard Edward Rainwater	225	236
John David Lusk	225	236
Bernard Gerald Cantor	225	238
Oliver Taylor Carr Jr.	225	238
John Livingston Weinberg	225	238
William Lyon	225	238
John Quentin Hammons	225	238
Amos Barr Hostetter Jr.	225	238
Herbert Herman Haft	225	240
Robert Michael Haft	225	240
Steven Allen Spielberg	225	240

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Rules of the Chase

THE FORTUNES OF THE VERY RICH are difficult to calculate. Often it isn't even clear exactly who owns a great fortune. It is frequently parked at least partly in the names of the immediate family or concealed in private investment companies. Or, more difficult to find, it is held in trusts, where separate elements of ownership (control of principal, receipt of income, power to name heirs, etc.) are deliberately spread among different people to defend against inheritance tax laws.

To arrive at coherent estimates of wealth, we adopted a number of rules:

- Blocks of publicly traded stock are priced at the market close on Sept. 11. (The summary statistics do not reflect late changes occurring as we went to press.)
- Privately held companies are valued according to estimated revenues and earnings and to prevailing price/earnings ratios for publicly traded companies in similar businesses.
- When earnings aren't known or are suspect, we adopt rule-of-thumb conventions. Newspapers, for instance, can be valued at 2 to 3 times revenues or 12 to 20 times cash flow less debt. TV and radio stations, cable systems and some newspapers are valued for us by authoritative media brokers.
- Among oil and gas producers we rarely go beyond putting fair valuation on their reserves, to be conservative. Some oil and real estate types have substantial assets not in their own names, so in one or two cases we were forced to rely on consensus estimates of knowledgeable peers. These estimates are treated cautiously.
- In the matter of trusts and other intrafamily arrangements, we proceed on a case-by-case basis, applying common sense. Most trusts plainly exist to carry out a normal pattern of inheritance (to husbands, wives or offspring) and to minimize inheritance taxes. We look at who controls the wealth. The trusts are generally attributed to the person who created the wealth, if still alive and in control, or to the principal controlling family member or members (and not the family lawyers), if that person is not.

Obversely, spendthrift trusts, meant to keep control out of the hands of beneficiaries, are not credited to the beneficiaries; only estimated trust income is counted.

For an example, consider the Getty family. For years Gordon Getty, as sole trustee of the major family trust, made all investment decisions—such as selling Getty Oil to Texaco—without any other family members. He also controlled distribution of trust income for himself, one brother and nieces and nephews.

The principal was never his to bet at the track or spend on wine, women and song. But otherwise his power was nearly absolute, and he already had more spending money than he could use outside the trust. In a practical sense he differed little from the outright heir—not spending capital, responsibly managing a fortune for himself and his family. We attributed the fortune to him then. But now the family is in the courts and he's no longer acting as trustee, by court decree, and so we no longer do so. (He remains in our list, further down, based on estimated personal assets.) As the Getty fortune is split up, other family members will acquire similar powers over their portions and be included.

Lawyers sometimes say a trust is "owned" by those who ultimately will receive the principal—here, the next generation of the Getty family. But, in fact, the next generation has no power to spend or invest principal or to disburse income to themselves. It is difficult to take such "ownership" seriously—if Gordon's wife were pregnant, the unborn child would, following the lawyers, be counted as one of the richest people in America. A controlling person's powers may be weakened by the limitations of a trust. But every other party's claim to present "ownership" is far weaker still.

Irrevocable charitable trusts and foundations are not counted as personal wealth at all.

Wealth in the names of spouses and other immediate family members is sometimes assigned to the principal family member, especially where ties are close. Where a member's shares are sufficient to entitle him or her to a place among the richest people in America, we generally list him or her separately. A prime exception is the case of Sam Walton, who set up a family holding company for himself and his four children. Each Walton holds a 20% interest, but there can be little doubt whose fortune it really is, within this mutually trusting family. So we list one Walton billionaire, the founder, rather than five. This practice is, of course, not followed where family members have gone their separate ways.

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The Forbes Four Hundred

Billionaires

Sam Moore Walton

Wal-Mart Stores. Bentonville, Ark. 69. Married, 4 children. Paid own way through Univ. of Missouri during Depression by operating paper route; called "Hustler Walton." Began 1940 at $85 a month for J.C. Penney. Stateside MP WWII. Opened Ben Franklin store Newport, Ark. 1945; 5 years later lost lease. Started over in Bentonville with brother James L. *(which see)*.

Sam Moore Walton

Capitalized on hunch about discount stores in rural America starting 1960s. Today largest discount retail chain: over 1,000 stores, $12 billion sales. "Mr. Sam" flies Cessna to visit stores, opens company meetings with "Star-Spangled Banner," leads cheers at store openings: "Mr. Walton has a calling." Simple lifestyle: hunts quail, plays tennis. "I don't work as much as people think I do." Wal-Mart stock (with family), banks, other assets, worth $8.5 billion. Sam: "It's just paper." Detests being known as richest American; good-naturedly (we hope): "I could kick your butt for ever running that list."

John Werner Kluge

Metromedia Co. Charlottesville, Va. 73. Twice divorced, remarried; 3 children. German-born, family arrived Detroit 1922. Stint on Ford assembly lines, won scholarship to Columbia, got economics degree. After WWII Army intelligence duty, started D.C. radio station. Sold Cheetos, Fritos, bought real estate. Took control of Metropolitan Broadcasting with partners 1959; parlayed into Metromedia. In celebrated 1984 buyout, liquidation of Metromedia assets (TV and radio stations, billboards, Harlem Globetrotters, cellular telephone, etc.) realized 2½ times ($4.65 billion before taxes, debt) what shareholders got. *Klug* is German for "clever." Converted to Catholicism 1981. Armand Hammer: "He once told me he wished he was my son." With $2.6 billion cash hoard, next big move is much anticipated. Lately hiked Orion Pictures stake to 16%, started computerized painting system for billboards. Metromedia still has cellular telephone interests NYC, Philadelphia, Dallas, plus small long-distance phone service. Net worth at least $3 billion. "Being in a deck chair doesn't make life interesting. We're always on roller skates."

John Werner Kluge

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Henry Ross Perot

Electronic Data Systems. Dallas. 57. Married; 4 daughters, 1 son. Son of Texas horsetrader, sold saddles as a teenager. Served in Navy, then joined IBM, became top salesman. Founded Electronic Data Systems in 1962 with $1,000. Stock rose and crashed, 1970, chalking up $600 million loss in day's trading. Failed to save 2 struggling Wall Street firms 1974, but did save 2 EDS employees from Iranian prison 1979. Sold EDS to GM for (then) $991 million, 1984. Problems with GM management spurred $742 million buyout of critical Perot, 1986. Now manages own investment company, with offices down the street from EDS. "The good news is all day I get to sit down and occupy myself with real business problems. I'm no longer running around with a butterfly net." Recently plowed $20 million into Steve Jobs' *(see Dropouts)* new computer firm, Next, Inc. "Next is a company that could yield a great return, maybe 10 times what I put into it. But that don't rock the boat very much, now does it?" Boat already holds 22,000 acres real estate, other real estate, liquid assets, other investments worth at least $2.9 billion.

Shelly Katz/Black Star

Henry Ross Perot

David Packard

Hewlett-Packard. Los Altos Hills, Calif. 75. Widowed, 1 son, 3 daughters. Phi Beta Kappa Stanford; played football, basketball, ran track. With $538, classmate William Hewlett *(which see)*, launched electronics firm 1939. Dave supplied business acumen, Bill engineering knowledge. Early products: oscilloscopes, but also automatic urinal flusher, bowling alley foul-line indicator. Later products: calculators, computers, etc. H-P first major U.S. company to adopt "flextime" work hours. Served as Nixon's deputy secretary of defense 1969-71. Chaired Reagan's Blue Ribbon Commission on Defense Management 1985-86 criticizing procurement, seeking alternatives. Son David joining H-P board. Donated $70 million to alma mater in 1986. Funds Monterey Bay Aquarium, run by daughter. 17% H-P worth $2.87 billion. He refuses to discuss wealth: "It's not his favorite subject."

Dennis Brack/Black Star

David Packard

Samuel Irving Newhouse Jr.
Donald Edward Newhouse

Brothers. Publishing. Father Samuel born in Manhattan to Eastern European immigrants. Managed *Bayonne* (N.J.) *Times* at 16, took control *Staten Island Advance* 1922. Assembled nation's largest privately owned newspaper chain. By legend, fanatic cost-cutter, worked out of briefcase: "I am never offhanded about money." Two sons tagged along on rounds. Bought magazine publisher Condé Nast 1959. Upon death 1979, sons took voting stock, kept hands off editorial. Advance Publications now 29 newspapers, 12 magazines, cable TV, book publishing (estimated $2.2 billion revenues); 5 TV stations sold to Times-Mirror 1980. Si: NYC. 59. Divorced, remarried; 3 children. Runs Condé Nast (*Vogue, Gourmet, Vanity Fair*), *New Yorker, Parade* (circulation 30 million); Random House; Advance chairman. Reportedly more introverted, conservative than brother. Workday starts at 4 a.m. His son Samuel III, 35, publisher of *Jersey Journal*. Donald: NYC. 58. Married, 3 children, 2 in business. Advance president, runs newspapers (circulation over 3 million), cable TV (over 1 million subscribers). His son Steven, *Jersey Journal* editor, commutes on subway. Brothers fighting one of largest estate tax cases (IRS: $914 million; brothers: $47 million). Uncle: "I don't think any of us has any vanity. And when you're free of vanity, you're free of a lot of other problems." Potential tax liability, possible acquisition debt (some estimates omit both), put estimated value of publishing empire shared by brothers at $4.7 billion.

Anthony Edgeworth

Samuel Irving Newhouse Jr.

Donald Edward Newhouse

Lester Crown

Inheritance, industrialist. Wilmette, Ill. 62. Married, 7 children, 3 in business. Father renowned Chicago financier Henry Crown, 91, born to poor Latvian immigrants; "The Colonel" (WWII procurement officer) built empire on small sand-

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and-gravel firm, Material Service Corp., 1919; merged with General Dynamics 1959 for stock, now 23% stake. Also amassed real estate, including Empire State Building, sold reluctantly 1961 for estimated $31 million profit. Brother Irving (d. 1987) "the operating man," while Henry, now mortally ill, "the conceptual man." Mantle passed to Harvard-M.B.A. son Lester: "There has to be a yes-or-no person." Irving's son-in-law Charles (Corky) Goodman, 53, acts as right hand. Lester on GD board, beat high-level security clearance challenge stemming from 1972 bribery scandal. Pursues real estate in partnership with Tishman-Speyer: codeveloped nearly 5 million sq. ft. Chicago alone. Also building 4,000-acre suburban town. Lester's son James, 34, also GD board member, likely successor. With real estate, stock portfolio (including Burlington Northern, Hilton Hotels, Vulcan Materials), interest in New York Yankees, Chicago (basketball) Bulls, Lester controls family fortune exceeding $2.1 billion.

John Madere

Lester Crown

Keith Rupert Murdoch

The News Corp. Ltd. Australia, London, NYC. 56. Divorced, remarried; 4 children. Trained on London's Fleet Street, graduated from Oxford, 1952. Took over father's *Adelaide News* at 23. Diversified into magazines, radio and TV. Bought struggling *Daily Mirror* 1960. Organized first and only Australian national daily, printed by electronic facsimile process in four cities. Moved into U.K. *(News of the World, Sun, Times, Sunday Times)* and U.S. *(New York Post, New York* magazine, *Elle, Boston Herald)*. Bought Twentieth Century Fox and Metromedia TV stations. Aim: create rival fourth network using Fox Broadcasting Co. Naturalized 1985. Known for sensationalist journalism and prestigious publications. "Sometimes there's a fine line between entertainment and news." But, "There were scenes in *Flashdance* . . . that embarrassed me." Unpredictable visionary, staunch conservative. Proud to run worldwide operations with corporate staff of 35. His 124 million shares in News Corp Ltd. worth $2.1 billion.

Dan Freeman Sygma

Keith Rupert Murdoch

Warren Edward Buffett

Stock market. Omaha. 57. Married, 3 children. Boyhood entrepreneur: placed refurbished pinball machines in barbershops; first-day take: $4. "I figured I had discovered the wheel." At 12 published racetrack tip sheet *Stable Boy Selections*. At 25 formed Buffett Partnership, Ltd. with $100,000; took over New England textile firm Berkshire Hathaway 1965, at 35, now diversified holding company (portfolio worth over $3 billion). Maintains spartan Omaha headquarters: "He runs his company with five people in an office the size of a closet." (Actually, has seven.) Ran 1986 *Wall Street Journal* ad seeking acquisitions ("If you have any possible interest, call promptly"). Plans to keep money in B-H, won't set up children for life of idleness. Signed friend's birthday card: "May you live until Berkshire splits." Recent B-H price: $3,860. With other holdings, worth $2.1 billion.

Mark Hanauer Onyx

Warren Edward Buffett

Leslie Herbert Wexner

The Limited, Inc. Columbus, Ohio. 50. Single. Dropped out of law school to work in father's clothing store. Borrowed $5,000 from aunt to hit big time "his way." Now 2,915 stores nationwide. Known for rapid distribution, inexpensive, quality women's apparel, half made abroad. Has 747s fly merchandise to Columbus distribution center. Sales quadrupled last 5 years to $3.14 billion, partly through acquisition. Bought NYC's Henri Bendel 1985. Company now expanding to men's fashion. Les failed twice to acquire Carter Hawley and Neiman-Marcus unit; second bid re-

Michelle Singer Outline Press

Leslie Herbert Wexner

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jected, 1987. "You wouldn't have to be a rocket scientist to fix them. What makes me tick is that I like to fix things." After close call with death atop Vail mountain 1981, vowed to lead fuller life: Supports Jewish, Catholic causes; Ohio State Univ.; Columbus Symphony; MLK Center for the Arts *(see also Bella Wexner)*. His stock in Limited worth well over $2.1 billion. "I built a business so I could create my own world. And I live in it."

Jay Arthur Pritzker

Robert Allan Pritzker

Brothers. Financiers. Progenitor Nicholas Pritzker left Kiev for Chicago 1881; formed Pritzker & Pritzker law firm 1902, later made 3 sons partners. Son Abram pursued business 1936; became Chicago legend: "I copied the Rothschilds"; d. 1986. His sons built, control vast interests. Family leader Jay: 65. Married, 5 children (1 deceased). WWII Navy pilot; followed father in law study, business career. Avoids risk but loves dealmaking, likens to boxing: "Hard and fast while in progress, but forgotten when finished." With brother Donald (d. 1972) built Hyatt Hotel chain (estimated revenues, $2.05 billion) starting with friend's dare 1957; now run by Jay's son Thomas, 37. Brother Robert: 61. Divorced, remarried; 5 children. Only engineer in lawyerly family; runs Marmon Group, umbrella for over 60 private cos. (revenues, $2.9 billion). "I am the oddball, the operating partner who's also a family member." Extensive real estate; latest venture Boston's Fan Pier high-rise project. Other interests include Braniff Intl., Ticketmaster, 10% Montgomery Securities, life insurance co., timberland. Without counting extensive real estate, fortune easily exceeds $3.8 billion.

Robert and Jay Pritzker

Edgar Miles Bronfman

Seagram Co. NYC. 58. Married 4 times (twice to current wife), 7 children. Father Samuel ("Mr. Sam") ran small Winnipeg hotel; established liquor distillery in Montreal, 1924. Business boomed during Prohibition; acquired major competitor Joseph E. Seagram & Sons Ltd., 1928. Responsibilities divided up at father's death, 1971: Edgar took over American branch, brother Charles got Canadian subsidiary. Chairman Edgar recently tapped son Edgar Jr. as successor: "I was never anxious for my offspring to get into the business. I grew up knowing I had no choice." Selection caused public tiff with Charles, now resolved: "The dust has settled as far as Edgar and I are concerned." Heads World Jewish Congress. Family trust CEMP Investments recently liquidated; Edgar's 40% cut: $500 million. That, plus his 16% stake in Seagram, worth over $1.8 billion.

Edgar Miles Bronfman

Barbara Cox Anthony

Anne Cox Chambers

Sisters. Inheritance. Daughters of James Middleton Cox, country schoolteacher, reporter who bought *Dayton* (Ohio) *Daily News* 1898 for $26,000; staunch Democratic reformer thrice-elected governor of Ohio but failed presidential bid

Barbara Cox Anthony

Anne Cox Chambers

1920 with FDR as running mate Returned to media, assembled vast holdings; d. 1957. Son James Jr. avid sailor, hands-off manager, diversified into broadcasting, cable antitrust forced spinoff 1964 of Cox Communications; d. 1974. Cox Enterprises now 20 daily newspapers (including flagship *Atlanta Journal & Constitution*), 11 weeklies, 8 TV stations, 11 radio stations, 1.3 million cable subscribers, auto auction firm, cattle ranches; owned 98% by his sisters. Anne: Atlanta. 67. Divorced, 3 children. Civic-minded crack shot, socialite, named ambassador to Belgium by friend Jimmy Carter. Barbara: Honolulu. 64. Divorced, widowed, remarried; 2 children. Ranches in Hawaii, Texas Australia. Third husband Garne Anthony, 59, ran company for 17 years, completed "long-term goal" $1.3 billion buyout/merger of Cox Communications 1985. Son James Cox Kennedy, 39, president, will succeed as chairman in 1988: "This was not a planned-for thing"; used to trap pigeons on Atlanta office roof to train beloved hunting dog Both women are directors of company; jointly worth well over $3.[illegible] billion.

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Ted Arison

Carnival Cruise Lines. Miami Beach. 63. Divorced, remarried; 2 children by first marriage, 1 adopted in second. Palestine-born son of largest Israeli shipowner. Quit college for British Army's Jewish brigade 1942. To New York 1952, lived on $10 a week. Started short-lived cargo line, then air cargo firm, took public, sold out at 42. Saw potential in mass-market cruise business, but joint venture with Norwegian Caribbean Lines ended in vitriolic lawsuit. With schoolmate Meshulam Riklis formed Carnival. In 1972 maiden cruise ran aground with 300 travel agents

Ted Arison

aboard; bought out Riklis 1974 for $1. Line profitable ever since. Now world's largest with seven "fun" ships catering heavily to singles; usually fully booked; Panamanian registry avoids U.S. taxes; son Micky, 37, president. Also operates Nassau hotel/casino. Took Carnival public 1987; family's 82% stake worth $1.8 billion. Other holdings: N.Y.'s Ensign Bank, Atlanta real estate firm, new Miami Heat basketball franchise.

Adolph Alfred Taubman

Real estate. Bloomfield Hills, Mich.; Palm Beach. 62. Divorced, remarried (to former Miss Israel); 3 children. Father was small home builder. Adolph started construction co. 1950; built 200 gas stations for pal Max Fisher *(which see)*. Built strip malls; saw big money was in ownership. Developed large regional malls 1960s; high rents, tough leases: "If they don't like it, they don't have to rent with us." Now

David Retana/Ron Galella Ltd.

Adolph Alfred Taubman

controls 20 ritzy regional malls, extremely profitable. Borrowed about $600 million against half his equity in most malls 1985. Led Irvine Ranch buyout 1977; some $150 million profit when sold 1983. White knight for Sotheby's 1983, has 60%. Bought D.C.'s Woodward & Lothrop department stores 1984, added Philadelphia's John Wanamaker chain 1986; also has 5% of Macy's. Takeover bid for Pulitzer Publishing Co. rejected 1986. "Big Al" now enjoys jet-setting, society galas; major art collector. Worth at least $1.5 billion. "I have a desire to continue to make money. And I have a desire to be sure that I have fun doing it."

Henry Lea Hillman

Industrialist, venture capitalist. Pittsburgh. 68. Married, 4 children. Self-effacing son of coal-steel-gas magnate John Hartwell Hillman Jr., who nipped at Mellon heels, built

Kent Badger/Pittsburgh Press Co.

Henry Lea Hillman

Pittsburgh Coke & Chemical, Texas Gas Transmission, etc. Henry joined business 1946, took over after father's death 1959: "I'm not a table pounder, and he was." Sold off smokestack assets, diversified into real estate, light industrials; holdings estimated $300 million 1969. Science/high-tech buff, invested heavily in Silicon Valley early 1970s via venture capital funds, then on own with spotty results (losses reported over $90 million): "My greatest weakness has been in not being the tough guy." Also backed LBO shops including Kohlberg Kravis Roberts & Co. *(which see)*; later swung own LBO: Copeland Corp. (compressors). Director of GE, Chemical Bank; big stake Eli Lilly. Passionately private. Wife Elsie active national civic, political affairs; no children active in business. Extensive investments, real estate assets exceed $1.5 billion.

Marvin Harold Davis

Oil, real estate, entertainment. Beverly Hills, Denver. 62. Married, 5 children. Father Jack successful Manhattan dressmaker; invested in

James Smeal/Ron Galella Ltd.

Marvin Harold Davis

oil 1940. Marvin joined business at 15, scoured Rocky Mountains for cheap oil leases ("Mr. Wildcatter"). Sold half of oil properties to Hiram Walker 1981 for $630 million. Wanted to make "fun investments": Bought Twentieth Century Fox with Marc Rich *(which see)* 1981, hit Hollywood party circuit: "He got bit by the showbiz bug." Sold Fox in stages to Rupert Murdoch *(which see)*; kept prime real estate (Pebble Beach, Aspen Skiing Co.), $350 million profit. Sold more

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oil properties 1985 for $180 million. Fellow oilman: "Marvin will get your last nickel." Bought Beverly Hills Hotel for $135 million 1986; $325 million bid for Spectradyne rejected 1987. Also lost battle with Donald Trump *(which see)* over Resorts Intl. casinos 1987. "No one scares me off." Still shopping for entertainment co. Plans to build Beverly Hills branch of Carnegie Deli: pastrami, cheesecake airlifts reportedly continue. With cash, prime real estate, some oil, worth over $1.45 billion.

William Redington Hewlett

Hewlett-Packard. Portola Valley, Calif. 74. Widowed, remarried 1978; 5 children, 5 stepchildren. Met H-P cofounder David Packard *(which see)* as undergrad at Stanford; formed electronics company in Palo Alto garage 1939. First product: resistance capacity audio oscillator used in groundbreaking movie *Fantasia*. Pushed company to introduce first scientific pocket calculator 1970: "We weren't sure we could make any money on it." Expanded into computers 1966. Easygoing, open-door manager ("management by wandering around"). Philanthropic: Hewlett Foundation distributes $33 million annually; gave $50 million to Stanford 1986. Retired from company in February; son Walter now H-P director. Sees smaller role for second generation: "The surest way to get a company in trouble is to continue to draw on the family." Enjoys outdoors: fishing, skiing, mountain climbing. Hewlett's share H-P worth $1.45 billion.

AP/World Wide Photos

William Redington Hewlett

Harry Brakmann Helmsley

Real estate. NYC and Greenwich, Conn. 78. Divorced, remarried; childless. Son of notions buyer for dry goods firm. Office boy at $12 a week for Manhattan real estate firm, officer at 23. Paid $1,000 for first building 1936. Today Helmsley-Spear, Inc. manages about $6 billion real estate, including 50 million sq. ft. commercial, 50,000 residential units. Pioneered syndication with Larry Wien *(which see)*; holdings include Empire State Building. Now selling out of properties with partners, buying on own account. Second wife Leona, former Chesterfield cigarette girl, hired as co-op broker 1971, married a year later; "Queen" of 26-hotel Helmsley chain, NYC's Helmsley Palace, etc. Leona said to have taken part in Bulgari sales tax scam; Harry and Leona accused of charging private home renovations to business 1986; they deny wrongdoing. Real estate equity worth at least $1.4 billion. Harry: "All you have to do is buy, and if you make a mistake, the market comes along and takes care of it."

John Marmaras

Harry Brakmann Helmsley

Philip Frederick Anschutz

Oil, investments. Denver. 47. Married, 3 children. Grandfather was Russell, Kans. banker; father was rancher, got into oil & gas 1930s amassed holdings. After Univ. o Kansas 1961, Phil bought out Dad sold drilling rigs, aggressivel bought oil, gas leases. Big strike Anschutz Ranch East in Utah, Wyo ("the kind of field that gives oilme goose pimples"); sold Mobil half hi interest for $500 million 1982. Di versified into stocks (has 18% Idea Basic cement), minerals (uranium coal, tungsten), real estate (Denver Anaconda Tower, Fairmont Hotel Bought Rio Grande Railroad fo $500 million 1984. Lost bid fo Western Union 1986. "It's bing bing, bing, one deal after another. Now pushing for Denver Conven tion Center on his land. Histor buff, Western art collector, mara thon runner. Worth more tha $1.35 billion. Private, unpreten tious: "You'd never know he was billionaire."

Karl Gehring/The Denver P

Philip Frederick Anschutz

August Anheuser Busch Jr.

Anheuser-Busch. St. Louis. 88 Widowed, twice divorced, remar ried; 10 children. Bavarian imm grant Adolphus Busch sold brewer supply business, joined father-in law's brewery 1866; became An heuser-Busch 1876. Survived De pression through diversificatior corn syrup, soft drinks, yeast. Au gust Jr. came aboard 1922, cleane beer vats, swept floors; becam president 1946, ran co. until 197 (now "honorary" chairman). Busc world's largest brewer (Budweise Michelob, etc.); 1986 sales $7.6 bi lion, 39% U.S. market share. Als Busch Gardens theme parks, S

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August Anheuser Busch Jr.

Louis Cardinals baseball team (World Series winners 1982, losers 1985). "Baseball is a son-of-a-gun business." Son August III current Busch chairman. August Jr.'s 13% Anheuser-Busch worth over $1.3 billion. "I love the beer business. It's a fantastic, terrifically exciting business."

John Thompson Dorrance Jr.

Inheritance. Gladwyne, Pa. 68. Divorced, widowed, remarried; 3 children by first wife, 4 stepchildren. His father, chemist John Sr., shunned academia for $7.50 a week job with uncle's Joseph Campbell Preserve Co. Brainstorm: condensed soup in a can; became president 1914. Died 1930, willing then-third-largest U.S. estate to 5 children (4 daughters deceased; *see family*). One-third inheritance to John Jr. and his immediate family, rest to siblings; "Not a penny to charity." "Jack" joined co. 1946 as hourly factory hand; chairman 1962, oversaw Campbell Soup Co. expansion (Swanson, Pepperidge Farm brands). Open-heart surgery 1981, retired 1984. Controls immediate family trusts, other assets worth $1.3 billion.

John Thompson Dorrance Jr

Milton Jack Petrie

Petrie Stores. NYC and Southampton, N.Y. 85. Twice divorced, widowed, remarried; 1 son, 2 daughters. Son of Russian immigrant pawnbroker. Started as $10-a-week Indianapolis department store clerk after high school, landed advertising jobs by lying. With $5,000 (half won in craps) opened Cleveland hosiery store 1929. "I was the only guy in the country expanding." Bankrupt 1937; creditors repaid in full. Expanded again through acquisition. Now 1,525 stores: Marianne, Rave, Petrie's et al. Medium-

William Coupon

Milton Jack Petrie

priced, dowdy clothes with teen emphasis (sales, $1.2 billion). Gruff, intimidating boss but office full of teddy bears; grandson Matthew Miller, 25, possible successor. Plays bridge with Laurence Tisch, Alfred Taubman *(which see)*: "I've dropped $2,000 in an afternoon, but it's worth it. I get away from it all." Business tight fist loosened by plights of slashed model, fatherless quintuplets, police widow (charity exceeds $100 million). His 60% stake, real estate, investments worth at least $1.3 billion.

Ewing Marion Kauffman

Marion Laboratories. Mission Hills, Kans. 71. Married, 3 children. Born on Missouri farm, moved to Kansas City as child. Says best education was year spent in bed to correct heart ailment at 11: "No radio, no television. I read everything I could get my hands on." Started as drug salesman 1946, commissions soon exceeded president's salary ("They cut my territory. I quit."). Founded Marion 1950 with $5,000, calcium pill; now industry giant (1986 sales, $400 million). Let other companies do research; reformulat-

Ewing Marion Kauffman

ed into highly successful pharmaceuticals: Pavabid (vasodilator), Silvadene (burn treatment), etc. Motivated employees with generous stock plan. "I'm no genius, but I am smart, and I am an excellent salesman." Now marketing Cardizem, breakthrough drug for treating angina. Founded Kansas/Missouri-area Project Star 1984 anti-drug, tobacco and alcohol program. Plays golf, computer chess; swims daily "unless it's below zero." Has taken two speed-reading courses (1 from Evelyn Wood). Also owns 51% Kansas City (baseball) Royals. His 23% Marion, other assets worth nearly $1.3 billion.

Ray Lee Hunt

Inheritance, oil, real estate. Dallas. 44. Married, 5 children. Only boy in "second family" (third chronologi-

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Ray Lee Hunt

cally) of H.L. Hunt, who married Ruth Ray, adopted her 4 kids 1957 after death of first wife 1955 (long kept families secret from each other; *see Hunt brothers, Margaret Hill, Caroline Hunt*). Ray, with mother, 3 sisters *(see Dropouts)*, split "amicably" from first family after inheriting then-struggling Hunt Oil Co., other assets 1974. "The smartest Hunt" revived, expanded Hunt Oil, especially overseas: "You minimize risk by doing as much homework as possible and by spreading risk. Then, every once in a while, you'll stumble onto something that'll make you go boom." Latest boom: huge North Yemen oil strike 1984, to flow after pipeline laid 1988. Also Woodbine Development, vast real estate around Dallas/Fort Worth, including 3,500 acres residential/mixed-used, 1 million sq. ft. industrial properties, over 2,000 hotel rooms. Owns *D* magazine, sold unprofitable *Houston City, Texas Homes*. Also sold small life insurance co. at loss. Low-key, civic-minded. "It's more important to know your weaknesses than your strengths." No involvement with first family bankruptcy. Ray runs family businesses worth at least $1.3 billion.

Edward John DeBartolo

Shopping centers. Youngstown, Ohio. 69. Married; 1 son, 1 daughter, both in business. Grew up poor in Depression. At 13 wrote bids for Italian-speaking stepfather, a paving contractor. Studied civil engineering at Notre Dame, learned topography during WWII. Plunged 1949 on untested idea: suburban shopping strips. Plunged again 1960s on large regional malls. Now largest U.S. mall operator: over 65 million sq. ft. in 61 enclosed malls and some strips. Also 7.7 million sq. ft. offices, plus hotels, condos, oil, video game parlors, much valuable land around malls. Family has San Francisco (football) 49ers, Pittsburgh (hockey) Penguins, two racetracks. Bid for Carter Hawley Hale with pal Leslie Wexner *(which see)* rejected 1986. Also bid for Allied

Edward John DeBartolo

Stores; outmanuevered by Campeau Corp., consoled with $116 million "breakup fee." "Mr. D" works 7-day weeks (only part-time Sundays), never took a vacation. "I never knew anything more than just banging my brains out working." So far, banged way up to $1.25 billion.

William Henry Gates III

Microsoft. Seattle. 31. Wrote first computer program at 13. Scored perfect 800 on math portion of

Nubar Alexanian/Woodfin Camp & Associates

William Henry Gates III

SAT. Dropped out of Harvard to found Microsoft 1974 with Paul Allen *(which see)*. Zealot in computer crusade, devoted to Microsoft ("It's his firstborn child"). Workaholic; takes off "7 or 8" days a year. "There are parts of him that never leave the company behind." Lives a mile from parents, near where he grew up, prepped. Wary of new whiz kids: "Look, I'm a stick-in-the-mud, over-30 guy now." Donated $1.1 million to high school for science building. His 40% Microsoft worth at least $1.25 billion. Denies desire to move on: "We are on this ship, and I'm tied to the wheel."

Donald Leroy Bren

Real estate. Newport Beach, Calif. 55. Twice divorced; 3 children. Son of late Hollywood producer Milton Bren, stepson actress Claire Trevor, stepson Reagan confidant Earle Jorgensen. College ski scholarship but lost 1956 Olympics bid. Built first house 1958 (later sold to actress Jane Wyman). Fast expansion. Built and sold 2 home builders; repur-

Alan D. Levenson

Donald Leroy Bren

chased Bren Co. from International Paper at discount 1972. Broke his back piloting helicopter in crash 1969. Joined Irvine Ranch buyout 1977 with Taubman-Allen group *(see both)*. After rocky business relationship, bought out most partners for $560 million 1983. Now has 92% of 68,000-acre ranch (one-

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sixth of Orange County). Rapidly expanded development mid-1980s, led to spiraling costs, inefficiencies. Recently revamped operations: made some layoffs, hired project managers. Heavy Republican giver, big art collector. Tanned, athletic, polished: "He is the classic playboy from the old mold." Worth at least $1.25 billion. "He wants to leave his mark on *something*."

Samuel Jayson LeFrak

Real estate. NYC. 69. Married, 4 children. Father Harry came from Russia 1905, opened glass shop. Sam wanted to be a dentist, switched to business; joined father's construction co. 1940. With postwar shortages, bought forests

Michelle Singer Outline Press

Samuel Jayson LeFrak

for lumber, later manufactured own bricks, concrete. Built many apts. around NYC, including 40-acre, 4,650-unit Lefrak City in Queens 1960s. Charged with racial discrimination, consent decree 1973. Invested in oil & gas production 1970s. Now largest U.S. apt. owner, over 90,000 units: "Serve the mass, not the class." Building 400-acre Newport project in N.J. with Mel Simon *(which see)*; 9,000 apts., offices, malls, marinas: "the real Epcot." Also music publishing, management (including former Brooklyn tenant Barbra Streisand), Broadway, TV shows. Son Richard in business. Worth over $1.2 billion. "We're last of the dinosaurs."

Robert Muse Bass

Oil, investments. Fort Worth. 39. Married, 2 children. Third son of oilman Perry Richardson Bass, who vastly expanded holdings inherited from uncle, Sid Richardson. Perry retired, leaving family empire to management of eldest son Sid *(which see, also Edward Bass)*, who fortuitously steered investments out of oil, into stock (Texaco, Disney, etc.), real estate. Feeling overshadowed by Sid (both Andover, Yale, Stanford business grads), Bob formed Robert M. Bass Group 1983, moved own staff one floor down in Bass-built Fort Worth office tower: "We're not clones." Sold most Disney shares 1986 to invest in media (Taft Broadcasting, cable TV), manufacturing (National Distillers & Chemical, Bell & Howell), miscellaneous partnerships. Sinking other gains (Alexander's, etc.) into commercial real estate. Publicity-shy like father. Rumored political ambitions may change that: joined community stand against unsightly Fort Worth freeway 1984. Paid $2 million for U.S. Grant's Georgetown home 1985. With share in family-held assets, net worth estimated at least $1.2 billion.

Ben Weaver Camera 5

Robert Muse Bass

Edward Lewis Gaylord

Broadcasting, publishing, real estate. Oklahoma City. 68. Married; 3 daughters, 1 son in business. Father E.K. bought into *Daily Oklahoman*

Edward Lewis Gaylord

1903, long among state's most powerful. Upon father's death (in 1974 at 101), E.L. at last came into own. Oklahoma Publishing Co. 1 newspaper, 5 TV and 3 radio stations, cable's Nashville Network, Grand Ole Opry, Opryland Hotel; 35% Texas (baseball) Rangers. Sold 2 TV stations 1987 for $425 million. Bought 20% Telerate 1985, sold half, profit so far: over $150 million. State's richest man, self-described capitalist, loves to rail against "liberal bubbleheads." On chain newspapers: "They don't care about the local community, only the cash register." On TV networks: "They're anti-American." Fortune estimated about $1.15 billion: "We don't like puffed-up numbers."

Forrest Edward Mars Sr.

Forrest Edward Mars Jr.

John Franklyn Mars

Jacqueline Mars Vogel

Candy. Son, 2 grandsons and granddaughter of Frank and Ethel Mars, Seattle candymakers. Moved to Minnesota 1920 after two failures, 1914 bankruptcy. Struck gold with Milky Way recipe 1923. Frank (d. 1934) financed son Forrest's British candy business to keep him distant. Forrest Sr: Las Vegas. 80s (spokesman: "Nobody's got the courage to find out how old he is"). Married; 2 sons, 1 daughter. Built empire abroad, returned 1940 as one-third owner; added M&M's, Uncle Ben's Rice. Bought out half-sister, got full

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Forrest Edward Mars Sr. Greg E. Mathieson/MAI

control from rest of family 1964. Mars, Inc. now one of world's largest confectioners (also pet food, vending machines, world's largest maker of electronic coin-changers); sales estimated near $8 billion, over 30% of U.S. candy bar market. Quality ingredients, cheaper wrappers: "They don't eat the package." Supersecretive: Industry calls it the Kremlin of candy. Forrest Sr. retired 1973, runs fine chocolates boutique Las Vegas. Self-styled religious man: "I pray for Milky Way, I pray for Snickers." Forrest Jr.: McLean, Va. 56. Married, 4 daughters. Secretive like father. Once ran Dutch unit, now copresident, considered CEO. Created new image for candy: gives energy, not pimples; entering granola bar market. John: Arlington, Va. 53. Married; 1 son, 1 daughter. Called brusque, strong-willed; said to have inherited father's, grandfather's autocratic manners. Began in Australian operation, now copresident. Jacqueline: Bedminster, N.J. 48. Divorced, remarried; 3 children. Director. Children said to own all stock yet still visibly insecure at mention of father's name; these four share control of company believed worth over $4.6 billion.

Harold Clark Simmons

Investments. North Dallas and Montecito, Calif. 56. Twice divorced, remarried; 4 daughters. Son of Golden, Tex. schoolteachers, worked as bank examiner, bought Dallas drugstore for $5,000 at 29. Assembled 100-store chain (some in early hostile bid 1967), sold to Jack Eckerd Corp. for $50 million stock 1973. Via hostile raids, the "Texas Gunslinger" has collected greenmail (GAF, $138 million; Sea-Land, $89 million), mishmash of businesses from sugar refining to chemicals, fast food. "I enjoy finding values in companies that are worth more than I have to pay. Everybody's got to do something." Federal charges of misuse of pension fund, insurance co. assets for acquisitions eventually dropped. Prosecutor: "He's not a crook, but he forgets it's other people's money he is playing with." Also holds 51% NL Industries. Arthritis sufferer:

Harold Clark Simmons

has pledged $10 million to seeking cure. In 1987 rolled 2 public firms he controlled (LLC Corp., Amalgamated Sugar) into one public vehicle (Valhi Inc.), and came out with $1.15 billion.

Sol Goldman

Real estate. NYC. 70. Separated, 4 children. Quit Brooklyn College to work in father's grocery store 1935; began scooping up foreclosed properties for $500 down. Partners with Alex DiLorenzo Jr. 1951, moved into big leagues with Chrysler Building purchase 1960. Goldman-DiLorenzo became NYC's largest, most-leveraged landlord; almost destroyed in 1973-74 real estate crash, lost 40% of properties, including Chrysler spire. Split remainder with DiLorenzo's heirs *(which see)* 1977. Kept trading on own, now probably NYC's largest private landlord: nearly 700 parcels,

Sol Goldman NYT Pictures

5 million sq. ft. offices, over 10,000 apartments, etc. "He buys property the way other people buy common stock." Known as very tough landlord, frequent legal scrapes with tenants: "He squeezes every nickel out of every building." Continuing struggle with wife Lillian over separation settlement. Net worth should well exceed $1.1 billion. "If you keep your eye on the ball, you make money."

Margaret Hunt Hill

Inheritance, oil, real estate. Dallas. 72. Married, 3 children. Eldest child of H.L. Hunt *(see Hunt brothers, Caroline Hunt)*, who taught her oil business as a young woman. Wisely separated holdings—as did sister Caroline—from brothers after infamous silver play and reportedly forced them to put up personal assets as

T. Allen Hansler Photo

Margaret Hunt Hill

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collateral. Sisters now suing to stay out of their bankruptcy, creditor suits. Margaret dominated family meetings, controls trusts for incapacitated brother Hassie. "In our family, we don't consider anything social. Whatever we do is all business." Presumed major Dutch North Sea oil stake. Also vast raw land in Dallas area, including beleaguered brothers' parcel bought at recent bank auction. Son Al unsuccessful independent movie producer. Fortune, including Hassie's share, estimated $1.1 billion.

Sid Richardson Bass

Lee Marshall Bass

Brothers. Oil, investments. Fort Worth. Two of the four sons of Perry Richardson Bass, whose uncle, oil legend Sid Richardson, started out with $40 from Perry's mother. Richardson (d. 1959) willed bulk of estate to foundation, rest to Perry, who built new oil empire, turned over to eldest son Sid: 44. Married, 2 children. Vastly enlarged fortune again, investing in stocks, real estate, yet oil holdings still extensive.

Anthony Savignano/Ron Galella Ltd

Sid Richardson Bass

Ben Weaver/Camera 5

Lee Marshall Bass

Spied better oil bargains on Wall St. Biggest strikes: Marathon Oil ($160 million estimated profit), Texaco ($450 million). Riding big Disney stake, value nearly quadrupled since 1984 purchases. Owes much to longtime adviser Richard Rainwater *(which see)*, who departed 1986. Brothers Robert, Edward *(see both)* also went own ways, but family oil, real estate still jointly held; got private ruling from IRS 1985. Ultra-private Sid entered NYC high-society swirl at wife's urging, now facing divorce settlement rumored near $500 million. Reins partly handed to youngest brother Lee: 31. Married, childless. Yalie (as other 3), Wharton M.B.A. Two brothers' share of family assets, interests in various partnerships, 11% American Medical Intl., etc., etc., worth minimum $2 billion.

Laurence Allan Tisch

Preston Robert Tisch

Brothers. Loews Corp. Close-knit siblings went into hotel business with father 1946: 12-hotel chain by 1955; gained control of Loews 1960. Successful conglomerate now includes tobacco, insurance, hotels, Bulova watch. Gained 25% stake in CBS 1986. Larry recently named CEO and president after palace coup with ally William Paley *(which see)*. Brothers known as management/investment wizards. Larry: NYC and Rye, N.Y. 64. Married, 4 children. "Mr. Inside," behind-the-scenes strategic genius until CBS takeover brought into full view. Eldest son, Andrew, runs Bulova. Bob: NYC, Harrison, N.Y., Washington, D.C.: 61. Married; 2 sons, 1 daughter. "Mr. Outside," very cli-

Joe McNally/Wheeler Pictures

Laurence Allan Tisch

Preston Robert Tisch

John Trotta/Black Star

ent-oriented. Now Postmaster General; successfully negotiated contract with union that eluded predecessors for 12 years. Brothers claim to have invented "power breakfasts" at their Regency Hotel 1976. Larry on dealmaking: "You wait until something feels right until the moment gives you the prospect of success, and until the players involved look like they're going to fit together." Active philanthropists: millions to NYU (Tisch School of the Arts), Jewish causes. Brothers are very close dine, play tennis together. With their 24% stake in Loews, real estate and other investments, worth over $2 billion.

David Rockefeller

Inheritance, banking, real estate NYC, Tarrytown, N.Y. 72. Married, 6 children. Grandson of John D. Rockefeller; youngest of five brothers. Only one with successful career in traditional family business (the Chase Bank, now Chase Manhattan). Ph.D. economics 1940, CEO bank 1969-81. Assumed role as international statesman; an

Jacques Lowe/Woodfin Camp & Associates

David Rockefeller

ival in South American capitals sometimes sparked riots. Major role NYC real estate (including backing ill-fated Westway project). Embarcadero Center (San Francisco) coup: got 25% interest 1976 for $2 million investment; his stake now believed to be worth $80 million. Succeeded brother Laurance as chairman Rockefeller Brothers Fund, major philanthropic arm their generation. Oversaw family's recent cash-out on Rockefeller Center, acceding to wishes of cash-hungry younger relatives. His investments in real estate, share of family trusts believed worth over $1 billion.

Leonard Norman Stern

Pet supplies, real estate. NYC. 49. Divorced, remarried; 3 children by first wife. Father Max came from Germany with 2,100 canaries 1926; his Hartz Mountain sold birds, seed, cages. Leonard attended ye-

Sherrie Nickol Grant's New York Business

Leonard Norman Stern

shiva, had M.B.A. by 21; took over floundering firm 1959, added dog and cat supplies, built into industry leader. Took public 1972, private again 1979. Hartz now has estimated 75% of market. Paid $10 million for 750 swampy acres around Secaucus, N.J. 1969: "I didn't know about the pig farms." Meadowlands, other N.J. developments now 10 million sq. ft., over half industrial-warehouse; also NYC projects. Paid $55 million for *Village Voice* 1985. Sparks drive to help NYC's homeless. Worth well over $1 billion. "It's one big hoot."

Carl Henry Lindner II

Insurance, banking. Cincinnati. 68. Married, 3 sons in business. After 8th grade delivered milk for family's Depression-hit dairy; opened ice cream store 1940 with brothers, $1,200; built into 200-store United Dairy Farmers. Entered S&L business 1959, with what became American Financial Corp., added casualty insurance 1971. Through

NYT Pictures

Carl Henry Lindner II

AFC (total assets, $7.5 billion) bought, patiently holds eclectic stocks: Penn Central, Taft Broadcasting, United Brands; said to outperform the Dow regularly. Notable flub: Mission Insurance Group, now in receivership. Consent decree with SEC, $1.4 million settlement, on security law violations 1979. Loves leverage, hates publicity: took AFC private 1981. Also controls Cincinnati's Provident Bank. Strict Baptist, hands out favorite adages on index cards (e.g., "I don't understand balance sheets very well, but I do understand people very well"). Collects handmade Stutz cars. Politically conservative, charitable: "I try to be nice because you meet the same people on the way down as you meet on the way up." With family's 100% AFC, believed worth at least $1 billion.

Roger Milliken

Textiles, investments. Spartanburg, S.C. 71. Married, 5 children. Grandson of Seth Milliken, who founded Deering, Milliken & Co. 1865 (William Deering left to found International Harvester). Held equity in, financed southern mills, took over when they were ruined in Depression. Roger now chairman Milliken & Co., world's largest private textile company (estimated 1986 sales, $2.4 billion). Roger anti-union: closed 700-employee mill 1956 after workers voted to unionize. Overruled by Supreme Court decision, settled with workers for $5 million. Also U.S. chauvinist: Led 1985 anti-import "Crafted With Pride" campaign: "We are sacrificing our industrial base on the altar of free trade, a god no other nation worships." Benevolent dictator supports conservative causes; otherwise low profile. Associate: "It's always been work, work, work." His interest Milliken & Co., estimated 20% Mercantile Stores, believed worth $1 billion. *(See also other Millikens.)*

Joan Beverly Kroc

Inheritance. La Jolla, Calif. 59. Divorced, widowed; 1 daughter by first marriage. Third wife of Ray Kroc, high school dropout and milk shake machine salesman who built McDonald's Corp., died 1984. Joan, former nightclub piano player, first married at 17 ("I wouldn't recommend it for anyone"). Married Ray 1968, 26 years his junior. Launched Operation Cork (Kroc backwards) 1976 to fight drug, alcohol abuse; now part of Joan B. Kroc Foundation. Gives away millions annually: $6 million to establish Notre Dame Peace Institute 1986, $3 million to New York AIDS project. "AIDS is on the top of my list right now." Also owns San Diego Padres baseball team, currently rebuilding. Vows turnaround: "You don't leave a ship with Titanic written on it." With McDonald's stock, other assets, net worth about $1 billion.

Stahl Photo Graphics

Joan Beverly Kroc

WINNING STRATEGIES
For Uncertain Times

Uncertainty is the economic byword for today. Is there more movement in store for the dollar, or can we rely on some future stability? Will taxpayers already struggling with the largest tax overhaul in the country's history face further Congressional tinkering with the tax code? How will an already nervous economy react to the upcoming elections? Does the new chief of the Federal Reserve Board have any tricks up his sleeve? What about the federal deficit that just won't go away?

Astute investors can find ways to exploit the opportunities that uncertainty creates. The right course for 1988 is to reassess your finances in light of the changing economy and tax reform. Size up your investment portfolio, get smart about using credit, act immediately on tax strategies which must be put into effect before December 31, 1987, take another look at the financial aspects of longevity. Be flexible and take the long view.

These changing and uncertain times, and the variety of financial choices available, mean that investors may need assistance to put their economic situations in order.

THE ELEMENTS OF UNCERTAINTY

The first step in adjusting your investment strategy is to re-examine the broader market picture. Donald H. Straszheim, chief economist at Merrill Lynch Economics, helps fit the pieces of the puzzle together.

ON THE DOLLAR..."The dollar, which has been improving unevenly, is likely to decline late this year and into next year. The reason is a fundamental trade imbalance. While we are making progress on trade and will make more progress—to the great benefit of industrial America—the fundamental trade imbalance remains. The dollar has fallen against the Japanese yen and the German mark, but it is not down much against many other currencies. Therefore, I see our trade problem as not disappearing, but in large measure simply migrating from Japan to low-wage countries like Korea or Taiwan. This is why our trade progress is slow, and that, in turn, puts renewed pressure on the dollar. The enormous trade imbalance will push the dollar down, although no one can say exactly when or how far it will go.

"It's also important to take a look at our relations with our trading partners. Protectionism clearly is on the rise, in the United States and around the world. An increasingly unhappy American public is putting pressure on Congress, so investors should be alert to the possibility of some important trade legislation in 1988."

ON TAXES..."I see only $10 billion to $15 billion in additional revenue this year, raised primarily through excise taxes. I don't see any major changes in individual or corporate tax law. So, tax rates should be protected at least until the end of 1988. The next time to look for a new tax bill is after Inauguration Day, 1989."

ON THE ECONOMY..."The economy will continue grow but slowly—another consequence of the troublesc trade imbalance. I see a few trouble spots in agricult energy, and commercial construction, and we may star feel repercussions from a too-highly-leveraged consu sector. On the bright side, I don't predict a recess through 1988.

"Inflation will remain in the vicinity of 5%, altho edging up. The sharp decline in oil prices that accounted last year's very low inflation rate is over. There is exc capacity, here and abroad; wage gains are modest, and remain so; and agricultural and energy prices will stay un control. The only important new inflationary factor to wa is the impact of the falling dollar.

"Interest rates will edge upward in 1988, though not mu The benchmark 30-year long bond will increase from tod near 9% to something over 9%. But rates are inextrica linked to the declining dollar. We don't have a strong

Andy Warhol, Dollar Sign. Courtesy of The FORBES Magazine Collection, New York.

nomy pushing up interest rates. Inflation is an increasing cern, but the falling dollar is the primary culprit.

Corporate earnings should continue strong. Earnings for S&P 500 will rise about 15% in 1987 and another 15% in 8. These are healthy gains, especially in the context of slowly growing economy. The reason? Industry-wide ructuring and cost-cutting programs are important plus- n the earnings picture."

N THE DEFICIT..."Gramm-Rudman clearly is not the ver, so we're faced with continued high deficits. I see the ntry stumbling from one fiscal policy embarrassment to her as the recent federal debt ceiling fiasco revealed. just don't have the will to fund our public projects and grams. The answers to reducing the budget deficit are ple: either raise taxes, lower spending or some combina- thereof. But, we are reluctant to do much of either. se big deficits won't crush the economy in the short run, they do pose important risks over the long term. Even annual deficits of $160 billion to $170 billion over the few years—which are likely—we'll stumble along."

ATEGIES TO MANAGE UNCERTAINTY

ith the big picture in mind, it's time to take a closer look ne market. Sounding cautiously optimistic, at least for short term, is Charles I. Clough, Jr., chief investment tegist with Merrill Lynch Capital Markets. "The most ortant thing to understand is that there is a structural going on in the U.S. economy today, reversing some ds that have been underway since 1980," he says.

hat's ahead? We've already begun to see a recovery in industrial sector of the economy. The reasons: industry- e cost-cutting programs have slimmed operations, so panies are more efficient. The dollar's declining value s us gain international market share for our industrial ds, and, at the same time, encourages consumers to buy goods instead of imports. The underbuilding of industri- lants, endemic during the early '80s, translates into less acity, which means that prices rise as demand picks up. , while the economy as a whole will continue to rise, it be much more selective, Clough predicts. These shifts be reflected in stock market performance: cyclical or istrial stocks will outperform consumer stocks. (On the r hand, the rise in industrial prices also means the end ne long decline in interest rates and a slight pickup in ation.)

he smokestack stocks look particularly good as the istry emerges from its relatively depressed levels. Merrill ch strategists see bargains in companies that produce ninum and heavy machinery. They also predict prosperi- r railroad and computer companies.

iven this market posture, where should investors put r money? "Merrill Lynch's current recommended portfolio mix: 45% should be invested in stocks, 35% in bonds, and 20% in cash. Portfolios should stress equities, because when the industrial economy improves and consumer spending begins to tail off, stocks tend to outperform bonds," Clough says.

The 20% cash position reflects a cautionary stance, bringing us full circle: these are uncertain times for investors. For your free copy of *Investment Quarterly*, an expanded discussion of the current investment outlook, call 1-800-637-7455, Ext. 9973.

MERRILL LYNCH FUNDS MAY BE USED TO ACHIEVE A DESIRED ASSET MIX

Cash 20%	Fixed-Income 35%	Equities 45%
IA® Money Fund	Corporate Bond Fund	Basic Value Fund
IA Tax-Exempt Fund	Municipal Bond Fund	Capital Fund
IA Government Securities und	Federal Securities Trust	Special Value Fund
ady Assets Trust	Retirement Income Fund	Pacific Fund
A Government eserves	Retirement Global Bond Fund	Strategic Dividend Fund

ese Are Only Recommendations From Among The Many Merrill Lynch nds. Other Such Funds Can Also Be Used To Achieve A Desired Mix. Your Financial Consultant.

SURVIVAL TACTICS FOR A VOLATILE MARKET

With the bull market far along, today's investors have seen more record-breaking one-day gains and drops in the major market averages than during any other period in history. At the same time, analysts warn of market corrections ranging from 10% to 15%, though the long-term outlook remains bullish.

How to handle such a fast-moving market and emerge with one's portfolio intact? Liquidity is important. Investors must be prepared to move quickly in a volatile market. Have enough cash on hand—Clough's recommended 20%—to pick up undervalued securities, if and when the price falls.

Investors also can profit from declining stock prices by selling short, or buying put options, an alternative with less risk. A short sale involves selling shares of stock that you anticipate replacing by buying later with lower-priced shares of the same stock. Short selling is riskier than buying "long" because the upside risk is unlimited. Investors profit when stock prices tumble, but face a loss if prices rise. Buying a put option works for the same end, though with less risk.

Investors seeking safe harbor may find that mutual funds are the answer. The industry chalked up another blockbuster year in 1986—investors added more than $235 billion into the funds, and total industry assets topped $730 billion. Merrill Lynch currently manages more than 50 mutual funds—equity, bond, and combinations of the two—as well as global investments situated to profit from opportunities in overseas markets. Merrill Lynch Asset Management, Inc. now manages more than $80 billion in fund assets, up from $17 billion in 1980.

A close cousin to mutual funds are unit investment trusts, which are large pools of securities divided into small units that are sold to individual investors. Like funds, unit trusts offer diversity and simplicity, but they are not actively managed and do not charge a management fee. These trusts maintain fixed portfolios that can include bonds, stocks or other securities. Since 1970, Merrill Lynch and its co-sponsors have created and sold more than 1,700 unit investment trusts with an aggregate underwriting value of more than $30 billion.

For more complete information on Merrill Lynch mutual funds, including charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

MAKE THE MOST OF "TRANSITION" TAX YEAR

Tax reform has created a window of opportunity for investors. Because many of the new tax rules will be phased in over the next few years, 1987 offers a one-time shot at some substantial tax savings to people willing to do some advance planning.

In 1987, investors have one last crack at favorable capital gains rates. While the personal tax rate tops out at 38.5% this year, an exception exists for long-term capital gains, which are taxed at a maximum rate of 28%. Furthermore, if you have substantial long-term gains in securities that you

think you may sell sometime next year, there may be an advantage to selling in 1987 to get the favorable tax treatment. If you wait until January 4 (the first trading day in 1988), the gain could be taxed at a rate as high as 33% versus 28% this year.

To qualify for favored tax treatment, capital assets must be held for more than six months. The holding period for most securites is measured from trade date to trade date. Beginning in 1987, the trade date determines the year of gain or loss, so securities sales as late as December 31 will be treated as 1987 transactions, even though they could settle in 1988.

To lock in the gains realized on a stock, but defer the taxes until 1988, investors might consider selling "short against the box." This means you sell short the number of shares you own, using stock you have borrowed through your broker for the sale. You are not taxed on the gain until you cover the short position by delivering the shares you own. In this way, you can protect your gain in 1987, and not be taxed on it until the next tax year.

An alternative strategy is to buy put options on the stock, if available. A put contract gives the buyer the right to sell shares of the underlying stock at a specified price during the life of the option. For the cost of the put option, you can lock in the gain, and, since you own the underlying stock, you can still participate in stock price increases (which cannot be done when going short against the box).

Because 1987 tax rates are higher than 1988's will be, realizing losses this year may save more in taxes than next year. Suppose you own securities in a loss position, but believe prices will rise. To sidestep the "wash sales" rule (which prevents investors from taking a loss when they purchase the same or substantially similar securities within 30 days), you can sell the securities and use the proceeds to buy stock in another company in the same industry, or bonds with different maturity dates.

THE CAPITAL GAINS TAX ADVANTAGE

Source: Merrill Lynch 1987

On the other hand, since the personal tax rate is scheduled to drop next year, investors should defer as much income as possible into 1988. One way to defer investment income is to transfer out of vehicles that pay current interest, money funds for example, and into discount obligations, such as Treasury bills or insured certificates of deposit that are under one year to maturity at issuance, and that pay no interest until they mature in 1988.

Investors who plan large charitable contributions this year might consider making the gifts with appreciated securities held long-term. That way, the charitable deduction equals the full market value of the shares and you completely avoid any capital gains tax. Suppose you have hel shares of stock for more than six months, which have from $10 to $30. Gifting the securities gives you a char deduction of $3,000. In the 38.5% bracket, that is $1,155 ($3,000 x .385). If you sell the stock instea donate the proceeds, you will get the same deduction $1,155, but you will pay a capital gains tax of $560 ($ gain x .28), for a total tax savings of only $595.

Investors seeking tax-advantaged investments are fi that tax reform has given new allure to tax-exempt m pal bonds. Other tax-advantaged investments have harder hit by tax reform, leaving municipals one of th in town. The interest on most "private purpose" mun bonds issued after August 7, 1986 is subject to the al tive minimum tax (AMT). To remain competitive, issues usually carry higher yields than "public purpose exempt bonds. Investors not subject to the AMT have found to want such bonds for their extra yield, which c up to 0.4% (from 8.0% to 8.4%). Investors holding c state bonds may want to consider switching to in bonds, which are free of federal, state, and in some local taxes.

Today's municipals also offer investors a way to cop some of the tax act's new restrictions. Under the ne investment income exceeding $1,000 of a child younge 14 is taxed at the parent's rates. Investors seeking long financing, say, for their child's college education, may to take a fresh look at municipal bonds.

Finally, with the volatility of interest rates over the l months, investors whose bonds are now worth less their purchase price should consider bond swaps to mize return and decrease tax liabilities before year-e

RESTRUCTURE CREDIT

Because tax reform is phasing out the deductio consumer interest, 1987 is the year to begin restruc credit. (Only 65% of consumer interest is deductibl year. That drops to 40% in 1988, 20% in 1989, 10% in no consumer interest can be deducted thereafter. credit alternatives will continue to generate potential deductible interest and may lower interest costs as w

Mortgage interest on your home (and second hom generally be deducted up to the original cost of the pro plus improvements. Also interest may be deductil funds borrowed to finance medical or education exp up to the property's fair market value. The tax bene strong incentive for homeowners to pay off existing de finance future purchases with credit secured by the eq their homes.

A home equity line of credit typically lets homec borrow up to 80% of the appraised value of the pro Unlike a conventional mortgage, equity credit lines borrowers to access funds as the money is needed— next semester's tuition, for instance—and thus pay i only on the funds actually used.

Another alternative is to borrow against the value eligible securities, such as with the Merrill Lynch In CreditLine℠, service which can provide immediate ac funds, with no fees and flexible repayment. It can be a of lower cost, potentially tax-deductible credit, streamlined source of financing that can be ac through a central assets account. Such a service n suitable for some investors.

When used for investment purposes, interest can ducted to the extent of net investment income. interest, which before 1987 was deductible up to $ will be phased out under the same percentages as cor interest (i.e. in 1987 up to $6,500).

lmost anything is possible when you start ith the right investment information. nd add someone o help you apply it.

investors are trying to make money. t's obvious. But it's also just about only thing they have in common. ake you, for instance. Are you esting so you can start your own iness? Retire in comfort when 're ready? Or simply build up your ets?

Do you want the excitement, and , of futures and options trading, he peace of mind that comes with re conservative investments?

all starts with you. But after t, the most important thing is to elop a relationship with someone o thoroughly understands what's lly *right* for you, and has access to ll, rich range of resources to help achieve your goals.

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Our Financial Consultants work h the top-ranked securities earch team on Wall Street, to ain up-to-the-minute information on more than 1,600 equities worldwide, as well as bonds of more than 550 municipal and 375 taxable issuers.

They can call on state-of-the-art technology to help give your decision-making an extra edge. Our Strategy Screen™ service, for instance, gives you sophisticated help analyzing your investment portfolio and evaluating strategies.

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Merrill Lynch Financial Consultants like Kenneth Miller understand your changing financial needs, and have access to unmatched resources to help you reach your goals.

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THE EFFECTS OF GLOBAL PRIVATIZATION

Arthur Zeikel, president of Merrill Lynch Asset Management, Inc., stresses a trend that has affected the surge in financial asset prices in the 1980s. Privatization and the return of capitalism is important, large in scope and global in nature, and represents a truly fundamental change in political and economic thinking around the world.

Privatization shifts the production of goods and services from government ownership to the private sector, and as such, reflects the growing awareness that market-based economies tend to do better than state-run economies. The long-term impact that this political change can have on securities prices is more dramatic and occurs more frequently than most investors recognize.

Privatization's direct investment benefits and the broadened acceptance of capitalism around the world are still largely underestimated and unappreciated. Together, they represent the most important forces behind the expectation of higher stock prices over the longer term.

Privatization creates a number of benefits to an economic system in addition to shifting economic activity from government sponsorship to the private sector. Perhaps most important it expands capital market participation by increasing both the supply side of stock in the marketplace and the number of shareholders.

This directly and indirectly reinforces the concept of prized asset ownership and eases the ability to transfer wealth. Governments engaged in privatization programs tend to promote the expansion of securities market activities.

Thus far, privatized stocks have tended to do well in the marketplace following the initial period of interruption. This favorable prize performance sets the stage for further successful privatized offerings.

Global Investment

The boom in financial assets in recent years is a global phenomenon. Many strong companies with leadership positions are located outside the United States. As of June 30, U.S. stocks accounted for only 36% of the worldwide market value of equities.

The uncertainty in the domestic financial outlook argues for the professional investment capability and diversification of the mutual funds managed by Merrill Lynch Asset Management. Mutual fund assets now approach $80 billion, the largest in the industry. More than 50 mutual funds are available, including common stock, bond, money market and combinations of these securities.

An important direction taken in expanding the Merrill Lynch family of funds in recent years has been to extend the investment horizon to overseas markets. An example of this is the Merrill Lynch Pacific Fund, and early in 1987 a companion international fund, the Merrill Lynch EuroFund, was introduced. Global equity and bond funds, which invest in the United States as well as overseas, are also in the family of funds.

For more complete information about any fund managed by Merrill Lynch Asset Management, Inc., including charges and expenses, obtain a prospectus. Read it carefully before you invest or send money.

For business owners, elimination of the Investment Credit and restructuring of personal and business tax ra may make it more sensible for a business to borrow necessary funds directly to maximize write-offs.

MANAGING WHAT YOU HAVE

Making your money work for you—and keeping tabs what you have—is an ongoing task. But the new r ushered in by tax reform highlight the need for perio review and adjustment of one's finances.

The first step is adequate insurance. Today, individu can find innovative solutions beyond their traditional ins ance needs. One example is single-premium whole life ins ance, such as Monarch Life's Prime Plan®, available thro Merrill Lynch Life Agency Inc., that combines insurance benefits that have become increasingly valuable in the p tax reform environment. Individuals make one upfront p ment, and the growth in the cash value of the policy (ca the "inside build-up") is tax-deferred.

Some policies pay competitive fixed rates; others o variable returns through a choice of diversified mut funds. This type of insurance also is a good source inexpensive funds: As long as the policy stays in fo policyholders can borrow against the cash surrender va without the restrictions associated with loans from ret ment plans, often at a low net cost. And, as is the case w all insurance, beneficiaries receive policy proceeds fre income tax.

Secondly, don't overlook the opportunities offered traditional retirement planning vehicles like IRAs and 40 plans. Tax reform notwithstanding, retirement plans allow individuals to defer taxes on investment earnings in some cases, to deduct the money originally invested

For example, an IRA should continue to be an integral of retirement planning, because all funds build up in account tax-free until withdrawals begin. People who covered by a qualified retirement plan and have adju gross incomes above $50,000 on a joint return, or $35,00 a single return, can no longer deduct IRA contributi However, individuals not covered by a qualified retiren plan can still deduct up to $2,000 annually, no matter much income they earn.

For retirees who receive a lump sum payment fro profit-sharing or savings plan, minimizing the tax bite be important. The best solution may be to "roll over" payment into an IRA, which must be done within 60 da receiving the payment, to defer income taxes on the di bution and on future earnings in the account.

A 401(k) plan, or a payroll deduction plan, offers opportunity to put away pre-tax dollars that will grow tax-deferred basis. Taxes are deferred on contributions earnings in the account. The new rules allow annual co bution up to 15% of income to a maximum of $7,000. L from the account may be available to buy a home or to unexpected medical bills. And, if you have a 401(k) plan, can still contribute to an IRA, although the IRA contribu may not be deductible.

BUSINESS RETIREMENT PLANS

Business owners, whether self-employed, in a part ship, S corporation or regular "C" corporation, have a tional options open to them. A business owner can set pension or a profit-sharing plan and contribute a signifi percentage of earnings (as much as 100% of income in s cases) to a qualified plan. Qualified retirement plans pro a business owner with tax deductible contributions, deferred growth of earnings and gains, and a metho retain valuable key employees.

usiness owners can choose from a wide spectrum of ıs. Profit-sharing plans allow for flexible contributions of ; of compensation up to $30,000 for the owner. And in a sion plan, business owners can make even larger contri- ions—25% of compensation up to $30,000 in a money chase plan and, in some cases, as much as 100% of ɔme in a defined benefit plan.

)wners of businesses with fewer than 25 employees might sider setting up a Simplified Employee Pension plan P) with a salary deferral option. SEPs offer the advan- es of traditional retirement plans, but with fewer legal uirements and less paperwork. Employees can have con- uted up to 15% of compensation up to a maximum $30,000 annually (including the maximum $7,000 sal- deferral).

deferred compensation arrangement allows the owner regular "C" corporation to offer selected employees the ortunity to defer income. For the employee, these ar- gements allow them to defer as much as 100% of income, ı earnings and gains tax-deferred until they are with- wn.

xisting business retirement plans may need review in t of tax reform. Merrill Lynch offers a plan review service nsure that your plan remains in compliance with current future law changes. Merrill Lynch consultants can work ı business owners to add enhancements to any existing rement plan.

TTING IT ALL TOGETHER

/hen you look at the scope of your financial needs— ng, investments, tax planning, insurance, credit—it is ır that one of the biggest problems often is simply nestrating these various elements.

ne solution is a central assets account, which combines cking, brokerage and credit services in a single account. erent types of central assets accounts have features ɔred specifically to the needs of, for example, established estors, beginning investors, businesses and retirement ıs.

/ith the Merrill Lynch Cash Management Account®finan- service (CMA®account), the original central assets ɔunt, cash from interest or dividends is automatically ested in one of three money market funds, or can be osited in the Insured Savings℠ Account. Salary and other ırring payments may be electronically transmitted and lited to your account. Account holders may buy securi- and meet other credit management needs through the rill Lynch Investor CreditLine℠ service. Your cash is ly accessible at any time with bank checks and a VISA® d.

ı addition, all transactions are included on one monthly ement, making it easy to monitor investment income and enses, and track deductions for tax purposes, giving estors an orderly way to review their total financial ure.

or more information on Merrill Lynch's CMA® account, uding charges and expenses, obtain a prospectus. Read arefully before you invest or send money.

he best way to assess your current finances is to take an entory of assets and liabilities and compare the results to r financial goals. You can hire a financial planner to do or, for less expense, the Merrill Lynch Financial Pathfin- ® service offers a coordinated, comprehensive financial ı, including taxes, investing, financing education, plan- ; for retirement and estate planning. The report is re- ved by professional planners, and concludes with a es of recommendations to follow up the quantitative lysis.

7 WAYS TO SAVE ON TAXES BEFORE YEAR-END

Opportunities exist to reduce your 1987 tax liability, provided you act before year-end. Here are seven ideas to consider. Before acting on any of these tactics, consult your tax advisor to be sure that they are appropriate to your individual circumstances. A Merrill Lynch Financial Consultant can help you in the execution of any tax-related transactions.

1. Consider realizing some long-term capital gains in 1987.
2. Go short against the box, or buy puts, to defer short-term capital gains taxes until 1988.
3. Accelerate deductions into 1987 and defer ordinary income into 1988
4. Restructure credit to reduce costs and maintain tax deductibility.
5. Consider using non-equity options and futures contracts to get the benefit of long-term gains treatment on a portion of profits, regardless of the holding period.
6. Estimate your 1987 net income (or loss) from tax investments to determine the need for a passive income generator (PIG).
7. Calculate your projected tax liablity, including any Alternative Minimum Tax (AMT) liability, while there is still time to act.

For your free copy of *The Merrill Lynch Tax Planner Action Kit,* including "45 Tax-Saving Ideas for Investors," call 1-800-637-7455, Ext. 9975. Included is *The Merrill Lynch Tax Planner,* which can project your 1987 tax liability, including AMT, based on data you provide. (Available for a nominal fee.)

On the other hand, other services are available that focus on one particular goal. The Merrill Lynch Retirement Builder™ program, for instance, offers a free, personalized analysis of your current financial situation and anticipated financial needs during retirement. The analysis compares income from Social Security, profit-sharing and pension plans, and investment income with projected living expenses. If your projected income falls short, the program estimates the additional assets required, and how much must be saved and invested annually to reach that goal.

If college costs continue to rise at their present rate, four years of tuition may top $100,000 by the year 2004. Parents who will finance this future education should consider the Merrill Lynch CollegeBuilder® program. This is a free, quantitative analysis that estimates how much it might cost to attend any one of 2,600 colleges and universities by the time your child reaches college age, and how much must be invested annually (or how large a lump sum must be invested now) to accumulate that amount.

Merrill Lynch Financial Consultants must have the skill and understanding to help clients assess their resources and plan for their future needs, and the judgment to help each client choose and maintain the right mix of financial services. Because Merrill Lynch offers such a wide variety of investment products and services, its Financial Consultants — backed by specialists in insurance, credit, retirement, college, estate, tax and general financial planning— can make well-informed and impartial judgments.

THE NEAR-TERM MARKET FORECAST

Robert J. Farrell, chief market analyst at Merrill Lynch, talks about where the market is headed in 1988.

Q: What are the factors that may affect the market in 1988?

A: We're in a once-in-a-generation bull market, and the liquidity factor may push the market even higher in 1988. That is, the major investors aren't yet fully committed to stocks, the way they were in later stages of other booms.

Right now, there's a great deal of disbelief in the long-term scenario for stocks, but 1987 is a transition year; investors are increasingly willing to take on the risk of equity investments. Why? For the first time since the bull market began in the early '80s, the stock market is far outperforming other investments. From 1982 to 1986, the annual rate of return on stocks exceeded 20%, and bonds were close to that. Also, cash equivalents earned historically higher-than-average returns.

In 1987, stocks are up 29% so far, while bonds are about even, losing in principal what they gained in coupon. The 5% annualized rate of return on cash equivalents doesn't compare well. Combine that with the limited number of tax-advantaged investments and some investor concerns with municipal bonds, and you've got an increased focus on the equity market.

But there's no real enthusiasm yet. Most investors are principally interested in preserving capital, because they're concerned less with missing out on the party than with avoiding the crash they think will follow the rise in stock prices. The intent may be good, but it's not characteristic of the psychology that ends a bull market. When a book called "The Great Depression of 1990" becomes a best-seller, you know that people are focusing more on what can go wrong than what can go right.

As we move into 1988, I think that we'll go from a bad news market to a good news market. Why? Stocks are outperforming other investments, the probability is that the dollar will stabilize or recover in the months ahead to encourage foreign investment, earnings are likely to come through better than expected—the potential for improvements on a fundamental basis translates into the potential for a higher stock market.

A major focus in 1988 will be on the presidential election. There's been a history of markets performing well during the last two years of a presidential term, and then poorly for two years into the next term. It would be too pat to expect the market to go up until election time and then immediately down, but since this election may mean a change of party—definitely a new president—it creates some uncertainty about future tax policy and the inflation rate. This will probably lead to some selling, or a change in the market, that could create an important peak before the election.

Taking a more general approach, it's clear that we're no longer in the early stages of the bull market. But even though valuations have already reached high levels, there's still a great deal of liquidity. One way to measure the amount of money available to move into stocks is to look at the mutual fund industry. We've had a massive flow of money into mutual funds during the past five years, but the highest percentage has gone into fixed-income investments, not equity investments. So far in 1987, purchases of equity mutual funds account for only one-third of all the new money in mutual funds. I think that number will climb to two-thirds or more before the bull market ends.

We'll also see the supply of stock exceed the demand before the bull market peaks. Today, corporations are buying back their own shares at a record pace and the tak game is not over. During the first quarter of 1987, the s of stock was reduced by $14 billion, when you offset buybacks and takeovers against new issues. That will ch when prices go higher, making it less attractive to buy shares and more attractive to sell equity. And I think we an increasing amount of stock sold through privatiza spinoffs, initial public offerings and so on. Eventually supply-demand situation, which is very favorable nou change.

The most interesting part of the picture is that the argument for buying stocks today, and for a higher m ahead, is the very wariness of today's potential stock bu Bull markets climb a wall of worry; they make the tops all good things are apparent.

Q: Will the trend in market volatility continue?

A: When you take the broad range of stocks, the marke more volatile than it was four years ago, or even 12 But there is high volatility on an intra-day basis, and I that will increase as the bull market ages. There will be sharp downdrafts and rallies, because of programmed ing and increased use of portfolio insurance (which te cause selling into a weak market or buying into a stron accentuating the trend). There also are large pools of m today that are managed by single companies or indivi As this money moves in and out of the market, it affects volatility. The mutual fund industry's switch-fund ad services, for example, can cause a major movement of overnight.

The very nature of a bull market leads to higher vol It accelerates as investor enthusiasm for stocks incr Even in down phases, the volatility increases. So we w see volatility decrease for a while.

Q: What is the near-term outlook for the stock and markets?

A: I think the stock market will have a 10% to 15% setba fall, in reaction to the broadening of the market this su That's the pattern the Japanese market went through ago, when they had about a 17% reaction in Augus September. Then the market came back and mad highs, and I think that will happen here as well.

Looking at the bond market, I don't think it's likely new highs after its reaction to the summer rally, and correct again later this year. When yields are at 9% or the bond market looks attractive, but when they fall to less, we're less aggressive. We still consider the long trend in the bond market likely to lead us to lower rate two-year basis or more. But in the short term, we've go of a trading swing in the bond market. The amount of going into bonds will not be as great as in the past, be the stock market will siphon off more of it.

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Merrill Lynch

$500 Million or More

William Bernard Ziff Jr.

Publishing. Manalapan, Fla.; Pawling, N.Y. 57. Divorced, remarried; 3 sons. Father was WWI flier, noted lecturer, author; founded Ziff Co. in 1927, became Ziff-Davis 1936. Upon his death 1953, William Jr., 23, joined firm: "It was wonderfully trivial and unimportant." Dropped academic career plans. Later bought out Bernard Davis, built into largest, perhaps most profitable special-interest magazine empire (50 titles incl. *Car & Driver, Modern Bride*). TV stations 1970s. Sold stations for approx. $80 million 1983; sold magazines to Rupert Murdoch *(which see)* and CBS for over $700 million 1985. Plans for cash unclear. Now in "semiretirement": "The money is not to build an empire. I want to cultivate my garden." Alters terrain of 39-acre upstate N.Y. spread at whim; relocated, expanded then razed mansion; new one under construction. Kept some magazines: Ziff Communications now 7 computer periodicals, database companies (revenues, $175 million); proved quite successful. Fortune, including $400 million trust fund to encourage sons' interest in computers, now close to $1 billion.

Kirk Kerkorian

Investments. Los Angeles, Las Vegas. 70. Twice divorced, 2 children. Son of Armenian immigrants, junior high dropout, amateur boxer. After WWII repaired, sold DC-3s; built charter airline, sold 1968 for eventual $104 million profit. Surprise 1969 MGM bid rejected, later paid $84 million for 40%. Master paper shuffler: $70 million profit on Columbia Pictures takeover 1981. Bought United Artists for $380 million 1981, merged with MGM; sold his 50% to Ted Turner for $500 million, stock; bought back UA for $480 million; sold MGM Grand Hotels for $287 million 1986. Sold Turner stock. Ended up with 79% of MGM/UA Communications. Picked up 2 casinos 1987. Worth at least $950 million.

Laurance Spelman Rockefeller

Inheritance. Investments. NYC and Tarrytown, N.Y. 77. Married; 3 daughters, 1 son. Grandson of John D. Rockefeller. From childhood, closest to brother Nelson *(see family)*. Early venture capital with principal from huge 1934 trust: Eastern Air Lines, McDonnell Douglas, more recent $100 million gain Apple Computer. Vast real estate; developed exclusive resorts: swanky, remote vacation spots. Some resorts and management arm sold 1986 to CSX. Proponent much-stalled NYC Westway project. Gave $36 million to Memorial Sloan-Kettering, $10 million to Princeton. His, family's portion Rockefeller fortune estimated over $900 million.

Average estimated net worth of the family groups on these pages is about $700 million.

William Clay Ford

Josephine Clay Ford

Brother and sister. Grandchildren of Henry Ford, founder Ford Motor Co. William Clay: 62. Grosse Pointe Shores, Mich. Married, 4 children. Served as Ford director while Yale undergrad. Now vice chairman. Insomniac; plays Space Invaders at night in home arcade. Extreme family man; pillar of his community. Owner of NFL Detroit Lions. Resents assertions that he owns team strictly as investment. "Stay out of his way if the Lions have lost." Wife is Martha Firestone. Low-key William was passed over for chairmanship when brother Henry II stepped down 1980; relations strained thereafter. Henry II had dominant role at Ford after father Edsel's death 1943: Led remarkable turnaround from $8 million loss 1946 to $260 million profit 1950. Retired as company employee 1982. Henry died of pneumonia September 1987, at age 70, leaving $500 million estate in stock, art, etc.; his son Edsel II active in company. William survives as family patriarch. With his Ford stock, Lions, personal golf course, real estate, net worth exceeds $900 million. "What William Clay Ford would like to say to ambitious Young Turks who dream of making that FORBES list is that being rich could screw up their lives." Josephine (Dodie): 64. Grosse Pointe Farms, Mich. Married, 4 children. Married into unrelated Ford family (banking). Extremely reticent, committed to family charities. Husband heads design firm, Ford & Earl Associates. Son Alfie a Hare Krishna. Dodie: "There are much worse things that a young man could do." Her stock, other assets, estimated to be at least $475 million.

Caroline Rose Hunt

Inheritance, oil, real estate. Dallas. 64. Twice divorced; 5 children by first marriage. Second daughter of H.L. Hunt *(see Hunt brothers, Margaret Hill)*. Brothers' silver debacle prompted her and sister Margaret to separate holdings 1983; both suing to avoid creditor suits, bank-

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ruptcy. Caroline builds, buys luxury hotels including Dallas' Crescent Court, Beverly Hills' Bel-Air, Hawaii's Hana-Maui. Sold one-third oil holdings (Rosewood Resources) 1985 to diversify further in real estate, stocks, venture capital. Made $30 million in failed Phillips-Van Heusen takeover bid. Cultivating reputation as "wealthiest woman in America," but probably not *(see Cox sisters)*. Worth $900 million.

Jack Kent Cooke

Real estate, media, sports. Middleburg, Va. 74. Twice divorced, remarried; 2 children by first wife. Canadian-born son of picture-frame maker ruined in Depression. Jack sold encyclopedias, soap door-to-door. Bought radio stations, newspapers with magnate Lord Thomson; assembled, sold industrial firms. Naturalized 1960 by act of Congress. Cable TV pioneer. Built Los Angeles Forum; bought 2 LA teams; sold all. Now owns DC (football) Redskins, NYC's Chrysler Building, LA *Daily News*. Paid $1 billion to reenter cable TV 1987. Amateur songwriter (member ASCAP). Net worth over $900 million. "Money is duller than peanut butter. Work is what's exciting."

69 members of The Forbes Four Hundred have fortunes derived principally from financial operations. (In 1986, 59.)

Jane Bancroft Cook

Inheritance (Dow Jones & Co.). Cohasset, Mass. and Sarasota, Fla. 75. Thrice widowed, once divorced. Only living grandchild of Clarence Barron of Dow Jones empire (*Wall Street Journal*, Dow Jones ticker, 1902; *Barron's*, 1921). Shy and reserved; Dow Jones director 1950-85. Once avid sailor and rider; played summer stock opposite Humphrey Bogart. Major benefactor Boston-area hospitals and schools. "She doesn't call attention to herself in any way. You would never know that she was one of the richest people in the country." Daughter Martha S. Robes now a director. *(See also Bancrofts, William Cox Jr.)* Jane's one-third of family stockholdings worth $900 million.

Doris Duke

Inheritance. Somerville, N.J.; Newport, R.I.; Honolulu; etc. 74. Twice divorced, no children. Father James Buchanan (Buck) Duke formed American Tobacco Co. from leaf overlooked by Yankees at North Carolina farm in Civil War; also Duke Power Co. Endowed Duke University, but Doris left so many millions known thereafter as "the richest girl in the world." Dogged by society, gossip reporters. Intelligent, scholarly knowledge Oriental art, primarily responsible for Newport, R.I. restoration. Visible in N.Y., Newport society, otherwise low profile. Fortune now believed worth over $875 million. $1 billion not impossible.

Katharine Graham

Washington Post Co. Washington, D.C. 70. Widowed; 4 children. Father Eugene Meyer bought bankrupt *Post* after building Allied Corp. forerunner, brief retirement. Kay, husband Philip took over 1946. After restoring *Post* to profitability, expanded, bought *Newsweek* 1961. Since Philip's death 1963, ex-housewife proved canny leader by publishing Watergate scoop 1972, settling violent strike 1975. "Whatever power I exert is collegial." Son Donald, 42, *Post* publisher since 1979; daughter Lally Weymouth *Post* writer. Also 4 TV stations, expanding cable (revenues $1.2 billion). Fortune is at least $875 million, much of it in children's names, trusts.

Paul Mellon

Inheritance. Upperville, Va. 80. Widowed, remarried; 2 children by first wife *(see Timothy Mellon, Catherine Conover)*. Grandfather Thomas started Mellon Bank forerunners, put venture capital into Gulf Oil, Alcoa, Koppers, etc. (family got significant stakes). Father, Andrew: U.S. Treasury Secretary 1921-32, founder National Gallery; d. 1937. Paul floated into, out of family businesses. Raises horses on 4,000-acre estate, collects art on giant scale. After art donations ($31 million for building, perhaps $100 million art to National Gallery; $18 million for building, perhaps $100 million art to Yale, etc.), net worth estimated over $850 million.

Charles de Ganahl Koch
David Hamilton Koch

Brothers. Oil services. Sons of Fred (d. 1967), cofounder Koch Engineering Co. 1925. Developed thermal cracking refining process 1928, sold 15 units to Stalin for first 5-year plan. Founding member John Birch Society 1958. Sons inherited small oil co., renamed Koch Industries; added refining, gas, chemical operations. Koch now oil industry giant, sales over $14 billion: "It's a company that steps hard and gets its way." Charles: Wichita, Kans. 51. Married, 2 children. Three MIT degrees; took over on father's death, now chairman. David: NYC. 47. Single. Joined Koch 1970, now executive v.p.; 1980 Libertarian v.p. nominee. Nasty court battle for co. control fought 1981-83 with brothers William (David's twin), Frederick *(see both)*: Bill sued Charles for "mismanagement"; Charles claimed Bill was "afflicted with psychiatric ailments." Settled 1983: Bill, Fred, others bought out for estimated $1.5 billion. David:

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"They wanted a lot of cash and they got it. But we got the company." Charles, David each worth estimated $850 million.

Donald John Trump

Real estate. NYC. 41. Married, 3 children. Father Fred was self-made builder; with Don, amassed 22,000 NYC apts. "Boy Wonder" built 3 Manhattan buildings: more headlines per sq. ft. than any other developer. Opulent Trump Tower a tourist mecca. Has 3 Atlantic City casinos; paid $101 million for control Resorts Intl. 1986. Seeking NBC as tenant for 100-acre West Side site; also proposed 150-story bldg.; public feud with "moron" NYC mayor over insufficient tax breaks for project. Lately greenmailing. Floated as presidential candidate. Worth at least $850 million; he claims $3 billion. On publicity: "Sometimes I'm surprised by it all. It's not something I personally enjoy."

Orville Wayne Rollins

Entrepreneur. Atlanta. 75. Married; 2 sons, both in business. Farm boy attended one-room school, earned $10 a week in textile mill. Into business with brother John *(see Near Misses)*: bottled water, auto dealerships, radio. Formed Rollins, Inc. 1948, grew by acquisition: media, oil & gas services, security systems, pest control ("As a rule, a woman won't put up with a roach for $10 per month"). Took public 1963, kept over 45%; split into three public firms 1984. Sold Rollins Communications 1986 for $280 million. Holds 11% Intermedics, 55,000 acres Fla., Ga. ranchland. Net worth exceeds $815 million. "The most difficult thing for me to do is turn over the running of my company."

Oveta Culp Hobby

Media. Houston. 82. Widowed, 2 children. Texas House parliamentarian at 20; failed bid for legislature at 25. Wed former governor, *Houston Post* publisher William Hobby (d. 1964). "Hobby team" added TV, radio. Liberal Republican, fashion plate. Has 3½-inch *Who's Who* entry: headed WACs 1942, made colonel; first HEW Secretary. Razed mansion 1973, moved to town house. Son William Jr. is Texas lieutenant governor; daughter Jessica Catto published *Washington Journalism Review*. H&C Communications sold *Post* 1983, bought Cowles Broadcasting 1985; now 6 TV stations, 1 radio. Fortune, in heirs' names, mostly controlled by Oveta, around $800 million.

18 members of The Forbes Four Hundred have fortunes derived principally from retailing. (In 1986, 22.)

David Howard Murdock

Investments. Bel Air, Calif. 64. Divorced, widowed; 2 children. High-school dropout built homes in Phoenix after WWII, made $100 million; retained $13 million after 1963 collapse. Recouped in Calif.: real estate, small companies; now Pacific Holding Corp., big companies. Made $50 million on Continental Group buyout, $100 million from Occidental Petroleum after tiff with Armand Hammer. Merged partly owned Flexi-Van with Castle & Cooke, sold most of Cannon Mills, 1985. Owns substantial real estate, Arabian horses, big Calif. ranch. Net worth valued well over $800 million. "Murdock is results oriented. He's not an introspective kind of person."

Harry Weinberg

Real estate, securities. Honolulu and Baltimore. 79. Married, 1 son. Austrian-born, 6th-grade dropout worked in father's repair shop. Started buying run-down Baltimore buildings 1930s. Used profits to buy public bus companies (NYC, Dallas, etc.) 1950s, 1960s; pattern of fare hikes, service cuts, strikes; many resold to cities. Drawn to Hawaii by transit company, stayed. "Honolulu Harry" fancies aloha shirts, intimidation: successful raids on Dillingham, Amfac, others 1960s. Lost Alexander & Baldwin proxy fight 1985, still holds 17%; also Maui Land & Pineapple. Bone cancer said to be in remission. With vast real estate, fortune—destined for charity—exceeds $800 million.

Marc Rich
Pincus Green

Trading partners. Zug, Switzerland. Both 53. Each married. Rich: 3 daughters. Green: 2 sons, 2 daughters. Rich is Antwerp-born son of burlap bag maker, banker; family fled to U.S. WWII. Quit NYU for Philipp Brothers' mailroom, where teamed with Brooklynite "Pinky." Together climbed ranks, helped build Phibro (now Salomon Inc.) into world's largest commodities trader; pioneered spot oil market 1968. Quit in huff 1973. Vendetta was Marc Rich & Co.'s raison d'être: pirated Phibro execs and business; now perhaps 2nd-largest trader (over $12 billion revenues). Rich, nervy speculator, known as El Matador for manipulating bull markets (early Eighties conspiracy with Malaysians led to tin market crash). Pinky, shipping expert, dubbed The Admiral. Traded Iranian crude during hostage crisis; dodged $48 million tax. Rich bought Twentieth Century Fox with Marvin Davis *(which see)*, later sold. Pair fled U.S. 1983 ahead of 65-count indictment (tax evasion, fraud). Company paid $150 million settlement 1984, $21 million fines. Still on lam; Marc took Spanish

clean sheet &
an open mind

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citizenship, Pinky Bolivian; State Dept.: They're Americans. Lately polishing image, scheming to corner aluminum market. Rich: "I'm a modest, quiet person who has never done anything illegal." Together worth at least a quiet if not modest $1.5 billion.

Fred Trammell Crow

Real estate. Dallas. 73. Married, 6 children. Bookkeeper's son, raised poor. Bank teller, CPA; WWII naval accountant. Rented out vacant warehouse 1947. Heeded calling: built warehouses on spec. Turning point: Dallas Furniture Mart 1957; now his Dallas trade marts total 9 million sq. ft. Next, offices, apts.; grew exponentially. Almost destroyed in 1974 real estate crunch; gave up some operational control; recovered dramatically. Today by far nation's number one developer: Crow keeps estimated 20%, gives partners and managers equity. Increasingly far-flung company recently reorganized, some functions centralized, some partners quit. With 3 kids active in business, worth at least $750 million. "More than anyone, Trammell simply believes real estate is good."

Winthrop Paul Rockefeller

Inheritance. Winrock Farm, Ark. 39. Divorced, remarried; 3 children by first wife. Great-grandson of John D. Rockefeller. Father Winthrop (d. 1973) leveled top of Petit Jean Mountain to create Winrock Farm; twice Republican governor. Win Paul product of brief, scandalous union with Barbara (Bobo) Sears; sent to European boarding schools, Oxford (flunked out). Runs Winrock, increasingly active Ark. business, esp. banking; also Little Rock social scene. Hunts, skis; cruises with local sheriffs on duty, set up Law Enforcement Assistance Foundation. His share family fortune estimated over $750 million. *(See also other Rockefellers.)*

Norton Winfred Simon

Industrialist, art collector. Los Angeles area. 80. Divorced, remarried; 2 sons (1 deceased). Raised in Portland, Ore. as "mossback" conservative. As youth bought bags, towels, tissues from manufacturers to sell to local merchants. Dropped out of Berkeley after 6 weeks, turned around bankrupt orange juice plant. Gained control Hunt Foods 1943. Built conglomerate Norton Simon, Inc. (Hunt-Wesson, Simon & Schuster). Quit 1969, devoted wealth to art collecting. "Acquisitiveness is a disease which you can get in money or business or politics or art." Donating collection to UCLA. Negotiations for transfer in process. Collection alone is valued at $750 million.

Bob John Magness

Cable TV. Englewood, Colo. 63. Widowed, 2 sons. Oklahoma-born son of refrigerator salesman, worked as roughneck, cottonseed buyer for Anderson Clayton after college. Introduced TV to rural towns via cable: laid first system in Texas Panhandle 1956 with help of late wife and $500. The "old pole climber" formed Tele-Communications, Inc. 1968, now nation's largest cable TV firm (interests in 7.7 million subscribers) with simple formula: install system in small towns, depreciate, sell, buy franchises in larger towns. Collects Western art, raises Arabian horses. With 11% TCI, stock in related firms, worth $740 million.

An Wang

Wang Laboratories. Lincoln, Mass. 67. Married; 2 sons, 1 daughter. Born Shanghai; An Wang means "peaceful king." Studied engineering at Chiao Tong Univ., came to U.S. 1945. Ph.D. physics at Harvard. Invented magnetic core memory at 28, sold to IBM for $400,000. Began Wang Labs 1951. Developed first logarithmic calculator, computers. Son Frederick, 37, now president, expected to succeed dad: "My children should be more highly motivated than a professional manager because of their substantial stake." Hit by industry slump, Wang and immediate family control stock worth $725 million. "If you go for a long time without shooting yourself in the foot, people start calling you a genius."

84 members of The Forbes Four Hundred have fortunes derived principally from manufacturing. (In 1986, 92.)

Edward Perry Bass

Oil, investments. Fort Worth. 42. Single. Second son of Perry Richardson Bass, nephew of wildcatter Sid Richardson, who willed some West Texas oil holdings to Perry upon his death 1959. Perry built up, turned over to 4 sons *(see other Basses)*. "Black sheep" Edward reportedly funded "intellectual cult," facilities from New Mexico to India. Meeting observer: "It was mental torture." Built Fort Worth avant-garde nightclub Caravan of Dreams. Spending $30 million on enclosed ecosystem in Arizona desert: possible first step toward inhabiting Mars. Passive investor in some family deals: "A lot of things I just have to read about in the paper." With family-held oil, real estate, stock, estimated worth $725 million.

Michel Fribourg

Grain trader. NYC. 74. Widowed, remarried; 5 children. Belgian family began trading grain 1813. In

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1848 drought, his great-grandfather swapped several trunks of gold for Ukrainian wheat for hungry countrymen. Started Continental Grain in U.S. 1921; Michel relocated to U.S. after France fell 1940. Michel (Army intelligence WWII) took over after father's death 1944. Controls 20% world grain trade, revenues over $13 billion (2nd to Cargill, *which see*). Surrounds self with talent: "many egos, but only one opinion." Still chairman; son Paul, group president. With 10% Overseas Shipholding, 90% Continental, net worth should be over $700 million.

Jack Rudin

Lewis Rudin

Brothers. Real estate. NYC. Jack: 63. Widowed, 3 children. Lew: 60. Twice divorced, 2 children. Father Samuel and brothers founded Rudin Management 1924 to run a few tenements. Sons joined firm 1946. Family philosophy: Never sell (still own first building, bought 1902). Today over 3,300 Manhattan apts. With current projects, over 8 million sq. ft. prime office space; most of it built pre-1972, now carries little debt, extremely profitable. Jack in charge of construction, Lew handles finance, management. Lew a big NYC booster; founded, heads Association for a Better New York: "I cannot separate myself from the city any more than we can separate our buildings from New York." Named Commander of the Most Excellent Order of the British Empire, 1979, for getting landing rights for Concorde. Family's equity estimated over $1.4 billion.

16 members of The Forbes Four Hundred have fortunes derived principally from agriculture. (In 1986, 16.)

Donald Worthington Reynolds

Publishing, cable TV. Las Vegas. 81. Divorced, twice widowed; 3 children. Peddled groceries in Oklahoma with father, hawked newspapers at 12. Worked through University of Missouri, journalism major. Took WWII shrapnel in head: "It got rid of my sinus problem." Fired from several jobs; finally held $35-a-week newspaper position; always saved half of salary for investment. Built Donrey Media Group: 57 dailies, 73 nondailies, 3 radio stations, 1 television station, outdoor advertising company, stake in cable TV firm with friend Robert Howard *(which see)*, who will be executor of his estate. Children, not involved in business, will receive just $50,000 a year; foundation will inherit company worth an estimated $700 million.

Saul Phillip Steinberg

Financier. NYC. 48. Twice divorced, remarried; 6 children. Brooklyn-born son of rubber manufacturer, read financial page for fun, Wharton grad at 19. Founded computer leasing firm with father's $25,000 in 1961, took high-flying Leasco public 1965. Acquisition binge: bought control of staid Reliance Insurance 1968; failed run at Chemical Bank 1969 made enfant terrible fame. Took Reliance private 1982 for $550 million, public again 1986; stake nearly quadrupled in value. Firm's underwriting losses balanced by greenmail (Disney, etc.), investments (Days Inn, Telemundo, junk bonds). Enamored of social whirl; art collector. Worth at least $660 million.

Gerrish Hill, Milliken

Minot King, Milliken

Cousins. Textiles, investments. Deering, Milliken & Co. founded 1865 as dry goods jobber by grandfather Seth and William Deering (later left to found International Harvester). Seth financed southern mills, took over when Depression crippled them; Milliken & Co. now world's largest private textile firm. Company painfully private; discontinued annual promotional show: "They never did put on much dog." Also est. 20% Mercantile Stores stock. Gerrish: Greenwich, Conn. and NYC. 70. Married; 4 sons, 2 daughters. Started in family business as salesman in automotive division Detroit late 1930s; became general manager; retired 1986 but maintains New York office. Brother of Roger Milliken *(which see)*. Their cousin Minot: NYC. 71. Married; 4 sons, 1 daughter. First job in finance department, now treasurer. Gerrish estimated $650 million; Minot, $325 million.

John Murdoch Harbert III

Construction, investments. Birmingham, Ala. 65. Married, 3 children. Returned WWII with $6,000 craps profits won on ship; tried taxidermy ("I skinned a crow. It looked like a duck when I got through"); invested instead in concrete mixer, tools. Went broke 3 times in first 20 years but "our creditors remained unaware of the seriousness of our situation." Got local bridge contract, then highways, pipelines, buildings; Harbert Corp. revenues estimated over $500 million. Minor partner with T. Boone Pickens in failed 1986 Diamond Shamrock takeover. With 75% Harbert Corp., $400 million Amoco stock, other assets net worth over $650 million.

Walter Hubert Annenberg

Publishing. Wynnewood, Pa.; Rancho Mirage, Calif. 79. Divorced, remarried; 1 daughter (1 son deceased). Son of Moses Annenberg, colorful founder predecessor Triangle Publications *(Philadelphia In-*

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quirer, Daily Racing Form), jailed for tax evasion, d. 1942. Callow Walter inherited debt-ridden firm age 32. Started *TV Guide* 1953, now largest circ. magazine in U.S. Also *Seventeen, Good Food.* Sold *Inquirer* 1970 to Knight-Ridder citing lack of heir. Ex-ambassador to Court of St. James's. Triangle worth over $1.6 billion, of which Walter directly owns 20% after donating much family stock to foundation, communications school (shares in trust income with sisters, *see family*). Billionaire 1986; now, with art, real estate, worth $650 million.

Eugene Smith Pulliam

Central Newspapers, Inc. Indianapolis, Ind.; Scottsdale, Ariz. 73. Married; 2 daughters, 1 son in business. Father Eugene Collins Pulliam started as reporter, purchased *Atchison* (Kans.) *Champion* 1912. Bought, sold string of others (23 during Depression alone) over 4 decades. Crusading conservative recruited Barry Goldwater to politics. Son Gene worked as UP reporter 1935, radio news editor. Joined family papers after WWII Navy duty, took over on father's death 1975. Central Newspapers now 7 dailies (incl. *Arizona Republic, Indianapolis Star* and *News*), 1 weekly. Controls trust worth estimated $650 million with stepmother Naomi (Nina), 81, and associate William Dyer, 84.

Curtis Leroy Carlson

Entrepreneur. Minneapolis. 73. Married, 2 daughters. Son of Swedish immigrant grocer; Procter & Gamble soap salesman; quit to begin Gold Bond Stamp Co. 1938. Carlson quickly diversified in wake of market saturation. Acquired Radisson hotel chain, Country Kitchen International and TGIFriday's restaurants, Ask Mr. Foster travel agencies; incentive/sales promotion programs for businesses. Carlson Cos. revenues now approach $4 billion, among top 20 private companies in U.S. On staying private: "Why give the truck away to get some gas?" Donates 5% pretax profit to charity. Worth at least $640 million. "The best single index of a man's accomplishment is how much money he makes."

Paul Gardner Allen

Microsoft. Bellevue, Wash. 34. Single. Attended Seattle prep school with boyhood friend William Gates *(which see).* First joint venture: microcomputer to determine traffic patterns. Problem: State of Washington gave away same information for free. "We decided to go into more profitable areas." Second venture: Microsoft, 1974. Now biggest seller computer software. Left Microsoft 1983, beat Hodgkin's disease with radiation therapy. Founded Asymetrix Corp. 1985 for advanced micro software. Avid basketball fan, sails, plays chess. Jams weekly with band on guitar. Retains 22% of Microsoft worth $640 million. "We're looking to have fun here, too."

Leon Hess

Amerada Hess Corp. NYC and Deal, N.J. 73. Married, 3 children. Father Mores Hess came to U.S. from Lithuania 1904. Young Leon rescued father's ailing gas and coal business by delivering home-heating and residual oil in 1929 Dodge truck. Built truck fleet to deliver resid while still hot, hence liquid. Expanded backwards into exploration, refining, also retailing. Today 13th-largest U.S. oil firm. Merged with Amerada Corp. 1969. Son John senior exec v.p. With Hess stock and NY Jets ("An old man's hobby") worth $625 million. "I got into oil because I was basically lazy. I didn't want to carry 100-pound bags of coal for my father."

16 members of The Forbes Four Hundred have fortunes derived principally from high technology. (In 1986, 10.)

Sigfried Weis
Robert Freeman Weis

Cousins. Weis Markets, Inc. Sigfried: Lewisburg, Pa. 71. Robert: Sunbury, Pa. 68. Both married, 3 children each. Began as cash-'n'-carry grocery store (1912), now 117 stores throughout Pa., N.Y., W.Va., Md. Profit margin remains 4.5 times higher than industry average. Secret of success: vertical integration (they make 1,500 private-label products for own stores). Expansion carried solely on company funds, zero debt. Careful controls: "Success is measured in many tangible ways." Also Amity House family-style restaurants (ice cream, sandwiches). Mild-mannered Sig, president, collects antiques, owns 34% Weis stock worth over $620 million. Behind-scenes Robert, VP, owns 28%, worth over $510 million. His sister Ellen has another $155 million worth.

Henry Earl Singleton

Teledyne, Inc. Los Angeles. 70. Married, 5 children. Texas rancher's son dreamed of creating great corporation. He did, after Annapolis, MIT, Hughes Aircraft, Litton Industries. With Litton pal George Kozmetsky, backing from financier Arthur Rock *(see both)*, started Teledyne 1960s; now over 100 companies from Water Pik to zirconium production. Tight-lipped strategist Teledyne President George Roberts learned of $400 million stock buy back after fact. Successfully spun off subsidiaries American Ecology 1984, Argonaut Group (ins.) 1986

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Rumors of Teledyne sale or break-up but "that's just wishful thinking." His Teledyne stock, other assets worth $615 million.

Michael Robert Milken

Financier. Encino, Calif. 41. Married, 3 children. CPA's son, high school cheerleader. At Berkeley, studied furtively into night. Straight A's at Wharton while working for brokerage that became Drexel Burnham Lambert; there invented market for junk bonds on premise that clear-eyed management scarcer than capital. Paved way for LBOs; clients include Carl Icahn, Saul Steinberg *(see both)*. Made real estate fortune buying sick REITs 1970s. One of nation's most powerful men, at once investment banker, trader, investor: "You have to embrace change, not fight it." With 6% Drexel, untold investments, real estate, believed worth far over $600 million. Reportedly focus of SEC insider trading probe; remains unindicted.

Samuel Curtis Johnson

S.C. Johnson & Son. Racine, Wis. 59. Married, 4 children. Great-grandson of parquet flooring salesman who founded wax co. 1886. Fended off Depression with Glo-Coat floor wax; 1986 estimated sales $2 billion. Sam joined 1954, chairman 1967. Urged nonwax items (Raid, Glade); personal care (Edge, Agree); via joint venture bought into Minnetonka's Check-Up toothpaste line, 1987. Taking public $200 million recreation company soon. At all but 60, just got license to pilot jets. Four children now with firm: Curt, 32, runs $90 million Wind Point venture capital fund in which SCJ&S has significant interest; also Helen, 30; (Dr.) Fisk, 29; Winifred, 28. Sam's 60%, other assets worth over $600 million. "The large, family-owned company is becoming an endangered species."

Robert Henry Dedman

Country clubs. Dallas. 61. Married; 1 son, 1 daughter. Born poor in Rison, Ark. Got business, engineering, 2 law degrees after Navy. Successful attorney for H.L. Hunt *(see Hunts)*. Opened Brookhaven Country Club, Dallas, 1957, as sideline; sideline took over. Added city clubs 1965. Big expansion 1970s; city clubs anchored new office bldgs. Club Corp. of America, foreign operations now total 225 clubs, 400,000 members, $500 million revenues. Also resorts, real estate, investments. Huge cash flow from dues, etc. Gave $25 million to SMU, $10 million to U. of Texas; plans to give one-third of fortune away: "They don't put luggage racks on hearses." Net worth exceeds $600 million.

Robert William Galvin

Motorola. Barrington Hills, Ill. 65. Married, 4 children. Father, Paul Galvin (d. 1959), started 1928 manufacturing car radios; made walkie-talkies WWII. Robert groomed for business from childhood, addressed Motorola distributor meeting at 16. President 1956; chairman 1964. Sold off TV manufacturing 1974; built last car radio 1984, but diversification into semiconductors, cellular phones, electronics products has paid off. "I obviously inherited the right to leadership; hopefully I earned the right to continuance." Lives on farm, enjoys outdoors: skiing, windsurfing. His 7% Motorola stock, owned with family, worth $600 million.

William Walter Caruth Jr.

Real estate. Dallas and Crystal River, Fla. 75. Married; 4 children, 2 nephews. Grandfather opened general store 1849, used earnings to buy land, amassed 30,000 acres. Father sold some, turned over the rest to Will Jr. 1937, who developed and sold for decades: "Grandfather acquired the land, father held it, and I harvested." Family ranch now North Dallas—"Will Caruth's backyard" to some. Typically sold land relatively cheap, kept 50% interest in development. Proceeds in huge stock, bond portfolio. Has ranches and hotel in Florida. Almost all in family trusts (wrote himself out of his father's will), but controls fortune believed worth $600 million or more.

Harvey Roberts (Bum) Bright

Oil, real estate, trucking, banking. Dallas. 67. Widowed, remarried to secretary; 4 children. After Texas A&M, WWII, worked for Sun Oil Co.; went on own trading oil leases, had $12.76 on 27th birthday. Went into real estate 1958 (holds 2,500 prime acres near Dallas), trucking (mostly sold off), financial services: Bright Banc ($5 billion assets) is

75 members of The Forbes Four Hundred have fortunes derived principally from media enterprises. (In 1986, 58.)

state's second-largest thrift; also huge mortgage co. General partner owns 40% of Dallas Cowboys. Highly superstitious: arranges bills in wallet by serial number; brushes teeth and shakes shaving cream can lucky numbers of times, etc. Worth at least $600 million. Courtly, non-stop dealster: "I'm still afraid of going broke."

Edward Crosby Johnson III

Money management. Boston. 57. Married; 2 daughters, 1 son. Brahmin lawyer Edward II bought ailing Fidelity Management Corp. 1946, established as leading mutual fund

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manager. Son "Ned" CEO 1972, steered through industry doldrums 1970s; FMC is second-largest money manager (after Merrill Lynch): $3 billion 1974, now $65 billion. Clever inventor of funds, contrarian: views magazine covers as contrary indicator. Colleague: "Ned runs the company like a giant chess board." Spreads stock to valued employees; reportedly keeps 71% voting stock, 41% nonvoting in family trusts. Net worth at least $600 million. Not voluble: "My orientation is to wash my own laundry."

Roy Merrill Speer

Lowell W. Paxson

Partners. Home Shopping Network. Clearwater, Fla. Speer: 55. Married, 3 children. "Bud" Paxson: 52. Married, 5 children. Entrepreneurs with idea for the 1980s: televised retail ("half flea market, half telethon"). Viewers phone in orders, money flows to HSN. Paxson: "When America beats a path to your door, you better have a big path." Home Shopping Game Show premiered June, lasted 3 months. Abbott-and-Costello-like pair: Paxson 6-foot-6, gangly, professorial promotion man, former radio host. Speer 6-foot-2, 260-pound ex-Florida assistant attorney general; had Puerto Rican vegetable farm wiped out in early 1970s. "After that I made an agreement with God. If he wouldn't send me any more hurricanes, I wouldn't grow any more vegetables." President Bud's 39% HSN worth $385 million. Chairman Roy's 23% (100% Class B stock), other assets, worth $600 million.

Joe Lewis Allbritton

Broadcasting, banking. Houston; Washington, D.C. 62. Married, 1 son. Born in D'Lo ("Damn Low") Mississippi, son of Houston cafe owner. Practiced law in Houston, made first million at 30 cofounding a Texas S&L, buying Houston acreage with bank loans. Bought, sold now-folded *Washington Star*, but kept D.C. TV station (worth $300 million). Allbritton Communications now 5 TV stations, 1 newspaper. Borrowed heavily to buy 41% Riggs National Bank, symbol of blue-blood Washington: "It'll be the principal bank in the capital of the Free World." Set up fund (Allco

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Corp.) 1987 for TV station buyouts. Net worth, incl. insurance, real estate, at least $575 million.

Donald George Fisher

The Gap Inc. San Francisco. 59. Married, 3 sons. Star swimmer, Berkeley grad 1950. Entered family contracting/real estate business. One tenant, Levi Strauss & Co., provided jeans for first Gap store, 1969. Arranged clothes by size rather than style for shopping-haters like Don. Prospered in 1970s jean craze. Lost patronage as baby boom grew up; competition from big retail chains caused stock collapse 1983. Revamped for older audience, diversified, remodeled stores (682 outlets, 1986 sales: $848 million). "We convey a singular point of view." Acquired Banana Republic catalog operation 1983, now 78 stores. Wife Doris merchandising consultant. Together own shares worth $575 million, sons another $310 million.

Roy Edward Disney

Walt Disney Co. Los Angeles. 57. Married, 4 children. Father Roy O., famous uncle Walt started Disney Productions 1923. Roy E. worked in studios for 23 years, quit after fight with Walt's heirs over creative control, company direction: "It became a real estate company that also happened to make movies." Returned 1984 as vice chairman; reemphasized animated movies. Also Shamrock Holdings (TV and radio stations, pieces of 3 public companies, real estate, etc.). Avid sailor; competes in biannual Transpacific Yacht Race. 1987 finish: 6th. His 3% Disney, Shamrock, other assets, worth $560 million. "I'm enormously happy."

26 members of The Forbes Four Hundred have fortunes derived principally from New York City real estate.

Carl Ray Pohlad

Banking, investments. Minneapolis. 72. Married, 3 sons in business. Son of Iowa RR brakeman, left college to sell cars. Took charge part-owned Minneapolis bank holding co. after brother-in-law CEO died 1955. Bought, rejuvenated dozens of upper Midwest banks: "We do things in a small way and let them grow." Revived, sold stake in Pepsi bottler MEI Corp. to PepsiCo 1985 for $143 million. Partner of Irwin Jacobs *(which see)*, director Texas Air. Owner Minnesota (baseball) Twins; also suing for control (football) Vikings, holds 51% nonvoting stock with Jacobs. With over 30 banks, investments (MEI Diversified, Minstar, etc.), net worth at least $550 million.

Charles Francis Dolan

Cable television. Oyster Bay, N.Y. 61. Married, 6 children. Raised in Cleveland, earned $2 a week writing Boy Scout column for local paper at 15. Arrived New York 1952, made industrial films; big break came wiring NYC hotels for TV news service 1960. Won lower-Manhattan cable franchise 1965. Created Home Box Office, sold to Time Inc. 1973. Cablevision Systems, other cable interests total nearly 1 million subscribers, also sports programming, American Movie Classics. "We get a lot of credit, sometimes more than we deserve. More blame, too." Avid sailor, tennis buff: "By my standards, I'm terrific." "Dennis-the-Menace" looks. Chuck's 66% interest in Cablevision, private cable systems worth over $550 million.

Helen Kinney Copley

Publishing. La Jolla, Calif. 64. Divorced, widowed; 1 son by first marriage. Answered ad for newspaper's secretary job, in hall met James S. Copley, adopted son of publisher Colonel Ira Copley (d. 1947), worked for him 12 years before romance kindled: "I'll never know what he saw in me. I was so pathetically shy." Married 1965, took over after husband's death 1973. Sold unprofitable papers, trimmed fat, improved editorial, expanded. Copley Newspapers now 13 dailies (including flagship *San Diego Union/Tribune*), 29 weeklies, cable TV. Son David, 35, now senior v.p., possible successor. James' 2 children from previous marriage retain stake. Helen, family hold estimated 90% worth $550 million.

29 members of The Forbes Four Hundred have fortunes derived principally from oil & gas. (In 1986, 48.)

Richard Mellon Scaife

Inheritance, publishing. Shadyside, Pa. (Pittsburgh). 55. Separated, 2 children. Great-grandson of Judge Thomas Mellon. Once negotiated to buy *Harper's* magazine, "Citizen Scaife" now owns several small to midsize newspapers (sold two to Thomson Group 1985), which must promulgate his conservative ideology. Dislikes publicity, refuses to use middle name (though

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father Alan Scaife treated shabbily by Mellons). Still most prominent Mellon of his generation. Doesn't speak to sister Cordelia Scaife May *(which see)*. Large contributor to right-wing leaders, think tanks. Vigorously denies estimate, but believed worth at least $550 million. *(See also Mellons, Currier family.)*

Donald Joyce Hall

Barbara Hall Marshall

Elizabeth Ann Reid

Brother and sisters. Hallmark Cards. Kansas City. Children of Joyce Hall (d. 1982), midwestern preacher's son, began distributing postcards 1906; soon, greeting cards. Long foremost card company, approaching $2 billion revenues. In over 100 countries. Accessories nearly half revenues (gift wrap, fuzzy animals, paper plates.) Company diversifying: recently copurchased 11 TV stations (Spanish-language). Also own Binney & Smith (Crayola crayons); Crown Center development in KC, site of tragic hotel collapse. Generous employee stock plan but family keeps two-thirds stock. Donald: Mission Hills, Kans. 59. Married, 3 children. As Hallmark chairman peddles sentimentality, but "the worst thing you can do in front of Don Hall is to show emotion." His half family stock worth $550 million. Barbara: Kansas City, Mo. 64. Widowed, children. Often judges card design; owns stock worth $275 million. Elizabeth: Denton, Tex. 66. Married, children. Owns stock worth $275 million.

William Ingraham Koch

Frederick Robinson Koch

Brothers. Oil services. Two of four sons of Fred Koch (d. 1967). Father counseled his "dear boys": "Be kind and generous to one another." Bitter 3-year battle for control of Koch Industries ended 1983 with estimated $1.5 billion buyout of Bill, Fred, other relatives by brothers Charles, David *(which see)*. Bill: Boston. 47. Married, 1 child. David's twin. Heads Oxbow Corp., energy trader, investor. Formerly big

73 members of The Forbes Four Hundred have fortunes derived principally from real estate.

contributor Boston Museum of Fine Arts. His share of buyout, other assets worth at least $550 million. On leaving company: "The best thing that happened to me personally was to get fired." Fred: Monaco, London, NYC. 54. Single. Family black sheep written out of father's will, allegedly because of art, theater interests. "Freddy sort of segregated himself from the family very early on. And everyone was more comfortable with that." His share of buyout less, but worth at least $375 million. "He is the smartest of all four—and by far the best company."

Charles Henry Dyson

Conglomerator. NYC. 78. Married; three sons, 1 daughter. Price Waterhouse CPA; consultant to War Secretary 1941; represented Treasury at Bretton Woods 1944. Worked at Textron postwar; too slow to diversify, departed 1949. With former colleague Franklin Kissner, as Dyson-Kissner (now also Moran) Corp., built up own conglomerate. Now interests in 8 public companies, 28 private, sales over $1 billion; much real estate. "We're always into something new." Acquisition Criton Corp. 1982 figured in SEC insider trading charges against Dennis Levine. "I don't know what we could do. You can't be more secretive than we are." His 91% worth at least $550 million.

Roy Hampton Park

Park Communications. Ithaca, N.Y. 77. Married; 1 son, 1 daughter. N.C. farm boy, entered N.C. State at 15; worked as AP stringer, ran college paper. After PR stint for cotton growers, bought Ithaca ad agency 1942; ran Thomas Dewey ad campaign: "If he'd won, I'd be a happy retired bureaucrat." Set up Hines-Park Foods under Duncan Hines label 1947, sold to Procter & Gamble 1956 for stock. Bought first TV station, in N.C., 1962. Park Communications now 7 TV stations, 19 radio, 101 publications; owns 89%. Collects cars; wife raises peacocks. With stocks, real estate, net worth over $550 million. "Wealth isn't a very important measuring stick."

Jerry J. Moore

Shopping centers. Houston. 59. Married, 3 children. Son of poor Polish immigrants. Started plumbing business at 18, then sold vacuum cleaners. Built homes, began buying strip malls 1966. Kept buying, rehabbing, raising rents. Now has 18 million sq. ft. strips, 85% in Houston: "If I don't buy one center a week, I get a migraine." Family works in business. Lives in 40-room 18th-century French château transplanted to Houston. Top-flight classic auto collection, 270-strong, includes 28 Duesenbergs. Classic Texas good old boy persona, except worth at least $550 million. "If I continue until age 70, God willing, there ain't gonna be five people in the U.S.A. who have more money than me."

Sumner Murray Redstone

National Amusements Inc., investments. Newton Centre, Mass. 64. Married; 1 son, 1 daughter. Son of drive-in theater owner. As Harvard student, broke Japanese codes for

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lo matter what anybody says, there is, in no detector on the market that's "just as as" Escort and Passport. And you needn't our word for it. In 1987, three respected zines have published comparison tests of detectors.

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n April, *Car and Driver* rated Passport high- f nine miniature models, saying, "At $295 from the factory, it's the most expensive of electronic protection in the group, but it's every nickel in roadgoing peace of mind."

What *Roundel* says

n June, *Roundel* ranked Passport and t first and second respectively in a com- on of 14 detectors. About Passport the r said, "It remains the State of the Art, quality product, American ingenuity at est." Regarding Escort, "It is an excellent tor in its own right and continues as a setter in the detector market."

What *Popular Mechanics* says

n July, *Popular Mechanics* rated Escort nd Passport second in a group of 11 brands. nagazine concluded, "Clearly, the Escort is est radar detector around. The best of the was the Passport..."

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What *Money* says

In its May 1987 issue, *Money* magazine celebrated a select number of American-made items with an article titled **99 Things That, Yes, Americans Make Best.** Of the items in the list, they said, "All of these widely available U.S.-made goods...are clearly superior to their overseas competitors, overwhelmingly dominate their markets or are so outstanding or novel that they have no international counterpart." We are proud to report that Escort and Passport were the only radar detectors to make the list.

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military WWII. Practiced law briefly; quit, built 390-screen National Amusements Inc. (est. 1986 revenues $160 million). Made millions on Twentieth Century Fox, Columbia Pictures takeovers, MGM-UA Home Entertainment buyback. Acquired entertainment giant Viacom Intl. 1987 in $3.2 billion LBO: "It was like a war. We were going 28 hours a day." Teaches entertainment law class at Boston U. Badly burned in 1979 fire, survived 30 hours of surgery. With 100% Natl. Amusements, other assets, net worth at least $535 million.

Alex Manoogian

Richard Alexander Manoogian

Father and son. Masco Corp. Grosse Pointe Farms, Mich. Alex: 86. Married, 2 children. Armenian immigrant, arrived U.S. 1920; started small screw manufacturing business 1929. Went public 1936; breakthrough invention, single-handed Delta faucet, 1954. Currently chairman emeritus. Immensely charitable in support of Armenian culture worldwide. Donated former residence in Detroit for mayoral mansion 1965; many other philanthropies. Alex' shares Masco Corp., other assets, worth over $250 million. Richard: 51. Married, 3 children. After Yale, led diversification into auto parts, oilfield products, industrial components, home furnishings; acquired about 100 cos. starting early 1960s. Masterminded spinoff of Masco Industries (commercial products) from Masco Corp. (consumer products) 1984. Now chairman of both. Major art collector, some 1,800 paintings, primarily 19th-century American. Recently paid $6 million for Bingham's *The Jolly Flatboatmen*, highest reported price for an American painting. "When a major American picture comes up, it's offered to Manoogian first." Stock and art valued over $530 million.

12 members of The Forbes Four Hundred are Texas oilmen.

Oakleigh Blakeman Thorne

Commerce Clearing House. Millbrook, N.Y. 55. Divorced, remarried; 3 sons, 1 daughter. B.A. Harvard, 1954. Great-grandfather Oakleigh Thorne, a thrifty Quaker, bought CCH 1907, six years before income tax enacted. Company publishes updatable loose-leaf clarifications in plain English of tax code, court decisions, etc. Chief subscriber: IRS. Oakleigh "lively, unpretentious gentleman," detached from operations. "I don't really have a management function." Lives with wife on 600-acre farm "Thorndale" in upstate N.Y. Son Oakleigh Jr. M.B.A. 1986 Columbia, aspiring chief executive. With over 7.5 million shares, worth over $530 million.

Carl Celian Icahn

Financier. Westchester County, N.Y. 51. Married. Cantor's son from Queens. Quit medical school, arrived Wall Street 1961, started Icahn & Co. 1968. "Lone Ranger" who despises "corpocracy" but admits "I'm not Robin Hood." Via obscure partnerships and private ACF Industries (manufacturer of railcars) attacked Uniroyal, Viacom, many others. Ivan Boesky reportedly helped squeeze $51 million greenmail from Phillips Petroleum. Acquired 72% TWA with Drexel Burnham backing: "It'd be bankrupt if I hadn't come along." Now has to manage; plans to take TWA private: will end up with 90% stake plus initial $300 million investment in cash. Latest gamble USX (controls 11%) so far showing huge paper gain. Net of big ACF debt, holdings worth at least $525 million. "Always listen politely, then vote your 51%."

Witten Robert Stephens

Jackson Thomas Stephens

Brothers. Investment banking, oil and gas, etc. Little Rock, Ark. Witt 79. Widowed, remarried; 3 children. Jack: 65. Divorced, remarried 5 children. Witt peddled belt buckles, Bibles, then switched 1933 to buying municipal bonds low; sold high. Became kingpin Arkansas politics while Jack (Annapolis roommate of Jimmy Carter) shepherded growth of Stephens, Inc into largest investment house of Wall Street (took public Wal-Mart Tyson Foods; *see Walton, Tyson*). Diversified into oil and gas, real estate, high technology (49% Systematics, Inc.). Banking interests throughout South incl. troubled Worthen Bank ("Our one big blotch"), also 2 in Far East. Capital over $450 million but firm still observes duck season. Witt now largely figurehead but sells bonds daily. Jack, chairman, cutting deals Asia Europe; son Warren, 30, now CEO working to build Stephens, Inc into national presence. Brothers share fortune at least $1 billion.

William Randolph Hearst Jr.

Randolph Apperson Hearst

Hope Chandler Hearst

George Randolph Hearst Jr.

Phoebe Hearst Cooke

Inheritance. Heirs of William Randolph Hearst, whose father, George Hearst (prospector-cum-land baron, U.S. senator) took failing *San Francisco Examiner* from gambling debtor 1880. Only child, Harvard-expelled "Billie Buster" took over 1887, became country's most flamboyant, controversial media tycoon: outsensationalized former employer Pulitzer *(which see)* in great NYC press wars; built nation's largest newspaper chain; model for *Citizen Kane*: d. 1951. Set

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up family trusts: 20% to each son, but company to foundations run by cronies. Sale of company to trust 1974 put family back in control. Hearst Corp. ($2 billion revenues) now 15 dailies (incl. flagship *Examiner*), 13 magazines *(Cosmopolitan, Popular Mechanics, Town & Country)*, trade books, 6 TV stations, 7 radio, cable, book publishing, real estate, timber, etc. Latest acquisitions: *Houston Chronicle, Esquire.* Surviving son William Jr.: NYC. 79. Twice divorced, remarried; 2 children. Editor-in-chief Hearst Newspapers from 1955; Pulitzer-winning columnist 1956. Heads principal family trust. His son WRH III, spitting image of WRH, current *Examiner* publisher. Circulation stagnant despite quality gains: "This once-great paper deserves to be revived." Expected to lead next generation. Surviving son Randolph: Hillsborough, Calif. 71. Twice divorced, remarried; 5 daughters (incl. Patty) by first wife. Hearst Corp. chairman. Hope: widow Randolph's twin, David (d. 1986). Beverly Hills. 66. 2 children. *Life* magazine cover girl 1938. Reclusive. Grandson George Jr.: Los Angeles. 60. Widowed, divorced; 4 children. Ran LA paper (now *Herald-Examiner*) 1962-77; supervises real estate. Granddaughter Phoebe (Mrs. Amory [Jack] Cooke): George's twin. Woodside, Calif. 60. Divorced, remarried; 1 daughter. With current husband led drive to regain control Hearst Corp. Both serve on board with 6 other family members. George and Phoebe share 20% from father George Sr. (d. 1972). Final 20% held by family of deceased John Hearst Sr. *(which see)*. Hearst Corp., other assets estimated over $2.5 billion.

Miles Barnes Collier

Inheritance, investments. Naples, Fla. 40. Single. Grandfather Barron Gift Collier pioneered streetcar advertising, used $5 million annual income to buy land. By 1930, 1.3 million acres southwest Fla., legislators created Collier County. After family squabble over strategy, empire split by coin flip 1980; Miles controls half: 170,000-plus acres rural land, 2,800 acres Naples, oil and mineral rights, etc. Family-owned *Naples Daily News* sold 1986 to Scripps-Howard; Miles' share: $80 million. Restores old Porsches; spends a month a year skiing in Alps. Net worth estimated at least $500 million. "I know just enough about all kinds of things to be dangerous at all of them."

44 men and 30 women among The Forbes Four Hundred are unmarried.

Daniel Keith Ludwig

Shipping, real estate. NYC. 90. Divorced, remarried; 1 daughter by first marriage, 2 stepchildren. Son of Mich. real estate agent; quit school, borrowed $5,000 at 19 to convert old steamer. With charter from oil companies as collateral, built world's third-largest fleet. Widely diversified: S&Ls, real estate, mines, oil & gas, et al. Sunk over $1 billion into Brazilian timber, pulp venture as big as Connecticut; quit after long unprofitable fight with Amazon jungle, Brazilian officials. Foreign assets now owned by principal heir, Zurich cancer institute. "I came into this world with nothing. I might as well leave it the same way." Close friend: Ron Reagan. Domestic assets retained worth over $500 million.

106 members of The Forbes Four Hundred have been divorced.

Luigino Francesco Paulucci

Food processing, real estate. Duluth, Minn. and Sanford, Fla. 69. Married; 1 son, 2 daughters. "Jeno" developed low-cost bean sprouts 1944, borrowed $2,500 to make Chun King canned Chinese food. Sold to R.J. Reynolds for $63 million 1966. Pizza next, gave Jeno's to children 1967 (sold 1985). Known for clever marketing, expert cost management. Now into real estate: over 6,000 prime acres in central Fla. Also developing Heathrow (planned community). "The meek have to inherit the earth, but they sure don't know how to market it." Jeno does: Net worth believed to well exceed $500 million.

John Thomas Lupton

Elizabeth Lupton Davenport

Brother and sister. Coca-Cola bottling. Grandfather John T. got right to distribute Coca-Cola 1899. Used portion of patent medicine fortune to finance first Coke bottling plants (d. 1933). Father Thomas Cartter took over; bought, sold Coke franchises at frantic pace. John: Chattanooga, Tenn. 61. Married, 4 children. Enlisted Navy, 1944; assigned to PT boat. "Jack" joined business as bottle washer; took over at father's death, 1977. JTL largest bottler in U.S. at time of sale to Coca-Cola 1986 for $1.4 billion. "The timing was right for this." John's timing, 60% JTL netted him some $500 million. Elizabeth (Mrs. Rodolph) Davenport: Lookout Mountain, Tenn. 54. Divorced; remarried, 3 children. Approximately 40% of father's trust believed hers. Her share JTL proceeds believed $300 million.

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Melvin Simon

Herbert Simon

Shopping centers. Indianapolis, NYC, Beverly Hills. Mel: 60. Herb: 52. Both divorced, remarried; 5 children each. Born Brooklyn, raised Bronx, sons of garment district tailor. Mel did Army hitch in Indianapolis, peddled encyclopedias. Stayed on as leasing broker, sent for Herb to join him. Went on own 1960, built strip centers, then large regional malls. Today Melvin Simon & Assoc. owns over 48 million sq. ft., manages another 13 million sq. ft.: 2nd biggest in business. "Meshuggener Mel" known for colorful clothes, exuberant manner, is leading force; Herb is operations chief. Duo dubbed "the Marx Brothers of malls," easy to deal with: "It would be hard to find two sweeter guys on the face of the earth." Many joint ventures: Newport in N.J. with Sam LeFrak, Gimbels sites in NYC with Larry Silverstein *(see both)*. Mel did stint as Hollywood producer, some success: *Porky's, Love at First Bite, My Bodyguard.* Also co-own Indy's (basketball) Pacers. Mel's two-thirds of company worth more than $500 million; Herb's one-third worth more than $250 million.

Among The Forbes Four Hundred,
15 are in their 30s
50 are in their 40s
88 are in their 50s
118 are in their 60s
91 are in their 70s
36 are in their 80s
2 are in their 90s

Morton K. Blaustein

Ruth Blaustein Rosenberg

Louis Thalheimer

Inheritance. Baltimore. Heirs of Lithuanian immigrant Louis Blaustein (1869-1937), who invented forerunner of modern tank car, and only son, Jacob (d. 1970), developed metered gas pump, drive-in stations, antiknock gasoline. Jacob founded American Oil 1910, merged into Standard Oil of Indiana for 5.25 million shares (now over 8 million); also part-time diplomat: convinced U.N. conferees to accept human rights provision 1945. Jacob's son Morton: 60. Divorced, remarried; 2 daughters. Geologist, and chairman of family's American Trading & Production—oil and gas, real estate, tankers, mfg., investments. His stake, over half Atapco, worth $500 million. Jacob's sister Ruth: 88. Widowed, 3 children. Director; her interest worth estimated $250 million. Only son, Henry Jr. (CEO family-controlled Crown Central Petroleum), votes most shares. Louis (grandson of Jacob's deceased second sister), is 43. Married, 2 children. President, Atapco. Controls interest worth at least $250 million.

Franklin Parsons Perdue

Chickens. Salisbury, Md. 67. Divorced, remarried; 4 children. Enrolled in teacher's college hoping to play big-league baseball; dropped out to rejoin father's egg business. Switched to broilers 1940. Added feed business, processing; one of first fully integrated chicken outfits. Perdue Farms now nation's 4th-largest, $840 million sales. Dominant Northeast brand thanks to clever advertising: "It takes a tough man to make a tender chicken." Met with another tough guy, NYC mobster Paul Castellano, in attempt to block union drive 1980. Long-running environmental battle led to $200,000 fine 1985; good record since. Frank, "the Pierre Cardin of poultry," has 90% of co. worth $500 million.

Richard Alan Smith

General Cinema Corp. Chestnut Hill, Mass. 63. Married, 3 children. Father Philip founded company in 1922, opened first theater 1935. Richard joined business after Harvard 1946, took over at father's death 1961. Stake in Columbia Pictures 1970s; GC empire now includes 1,305 screens, nation's largest independent Pepsi bottler. Also 60% of Nieman Marcus Group. Chairman Richard straitlaced, press-shy: "You're conscious of the value of a dollar when you work for Dick Smith." With family, controls stock worth $500 million.

Louis Larrick Ward

Russell Stover Candies. Kansas City, Mo. 67. Married; 2 sons, 1 daughter. WWII Navy man bought KC paper box maker Alton Box Board Co. 1950; major customers: Hallmark Cards, Stover Candies. Took liking to Russell and Clara Stover's hand-dipped chocolates, paid $7 million for company 1960, went public. Now nation's largest boxed chocolates producer. Secret: top-notch ingredients, creative packaging, little advertising. Took private 1981, now worth $450 million. Two sons "doing better in the business than I am." Raises Hereford cattle on 2 Montana ranches: "I go up and play cowboy once in a while." With other assets, net worth may exceed $500 million.

Robert Lee Moody

American National Insurance. Galveston, Tex. 52. Divorced, remarried; 4 children, 4 stepchildren. Grandfather William Jr. founded American National Insurance 1903, held virtual monopoly on Texas insurance through 1930; acquired newspapers, hotel chain, ranchland. William died 1954, split assets

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Malcolm Stevenson Forbes

Inheritance. Publishing. Far Hills, N.J. 68. Divorced, 5 children. Father B.C., Scottish immigrant 1904, launched FORBES magazine 1917. Sons inherited 1954: Bruce died 1964, MSF eventually sole stockholder. In 1950s N.J. state senator, unsuccessful gubernatorial candidate 1957. FORBES now top business publication: "Capitalist Tool" unusually profitable. Bought *American Heritage* for reported $10 million 1986; circulation up 50% since purchase. Acquired Somerset Press (six N.J. newspapers, all weeklies) for reported $6 million early 1987. Owns Colorado ranch, South Seas island, Tangier palace, French château; 1 dozen eggs (Fabergé Imperial; 2 more than Kremlin), presidential letters, toy soldiers, toy boats, etc., etc. Balloonist, motorcyclist; hosted "party of the century," to celebrate FORBES' 70th anniversary, gave Liz Taylor $1 million for AIDS research. Scheduled successor: son MSF Jr. Son Tim heads *American Heritage:* "Nepotism isn't a dirty word in our family." Reputed net worth:
New York Post: "Somewhere this side of $600 million."
Providence Journal: "Worth an estimated $500 million."
Associated Press: "Billionaire."
MSF: "Ahead of last year."

among foundation, family trust; legal battle ensued. Robert bought Moody Natl. Bank from foundation 1979; through it, controls family trust with 34% ANI, hotels, etc. Brother Shearn Jr. indicted 1987 for swindling foundation; called "sleaziest man in Texas." Robert worth est. $500 million.

Alexander Gus Spanos

Real estate. Stockton, Calif. 64. Married, 4 children. Left father's bakery 1956 to sell sandwiches to migrant farm workers; leased old army base to house, feed migrants. Built first apartment complex 1960. A.G. Spanos Construction went on to build 60,000 apts. across Sunbelt: "You don't find me in cold climates." Logs 6,000 miles weekly on private jet fleet; 2 sons, 2 sons-in-law all in business. Famous for dance routine with golf buddy Bob Hope, performed at benefits. Owns 62% San Diego Chargers; also 1,600 prime Stockton acres, much cash ("To him, cash is king"). Worth well over $500 million. "Satisfied? Never. The day I'm satisfied, they can bury me."

Marshall Naify
Robert Allen Naify

Brothers. San Francisco. Movie theaters, cable TV. Sons of Lebanese immigrant, founded United California Theaters chain 1920s; bought 50% United Artists Theater Circuit 1950. Brothers took control after 1963 merger. Also pioneer builders cable systems (750,000 subscribers). Reclusive, combative. Headquarters of decentralized co. in SF skid row. Marshall: 67. Married, 3 children. Works in jogging suit at home; receives radio "messages from God," according to sister's 1977 suit alleging mismanagement (subsequent SEC inquiry led to resignation as chairman 1978, reinstated 1982). Robert: 65. Married, 6 children. Soft-spoken conservative, acts as hands-on manager. Sold out to Tele-Communications Inc. 1986 for rights to 15 million TCI shares, $150 million cash. Both remain senior VPs in merged company, Robert is TCI director. Also own 50% Todd A-O, film postproduction co. Share fortune estimated at least $1 billion.

John Charles Haas
Fritz Otto Haas

Brothers. Rohm & Haas Co. German-born Otto Haas, at 37, came to Philadelphia 1909 after building successful European business (partner Otto Rohm stayed in Germany). First product: leather tanning agent, replaced dog manure. Rohm & Haas added insecticides, coatings 1920s. Developed Plexiglas 1936. Went public 1949; Rohm's heirs' stake, seized by government in WWI, WWII for possible German ties, sold in offering. International business mushroomed 1950s. Haas, age 87, died 2 days after retiring 1960. Son F. Otto took over, ran co. with brother John through 1960s; led ill-fated diversification into fibers, pharmaceuticals. Tapped nonfamily member as president 1970; brothers now retired. John: Villanova, Pa. 68. Married, 5 children. Runs William Penn Foundation, one of Philly's most influential. Otto: Ambler, Pa. 71. Widowed, 3 sons. Family controls 47% of stock; excluding foundation, their trusts and holdings are worth about $1 billion.

$250 Million or More

Arthur Bejer Belfer

Oil, real estate. NYC. 80. Widowed, remarried; 3 children, 2 stepchildren. Immigrated from Poland, WWII. Quit making sleeping bags for Army 1952, got into oil, gas. Took company public as Belco Petroleum Corp. 1959. Developed large resource base in Peru; also domestic natural gas, coal mining. Unsuccessful oil venture in Israel 1969. Friendly takeover, 1983, by InterNorth; changed name to Enron Corp. "If the price is right, we sell." Arthur, family patriarch, is now chairman emeritus Belco Petroleum; son Robert, 52, is an Enron director. With Enron stock, extensive NYC real estate holdings, worth $490 million.

Kenneth Harry Olsen

Digital Equipment Corp. Lincoln, Mass. 61. Married; 1 daughter, 2 sons. MIT grad, designed circuits at

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its Lincoln labs. Served 13 months as graduate liaison to IBM: "It was like going to a Communist state." Founded minicomputer firm with $70,000 1957. "Technobumpkin," learned management as Sunday school superintendent: "I can tell you all the things I learned then, but I can't tell you much I've learned since." Attends prayer breakfasts with other Boston elite; known to invoke hymns at management meetings. "His role in the company is a little bit higher than the Pope's in the Church." Canoes, owns small plane. His share DEC worth $490 million.

William Russell Kelly

Kelly Services. Troy, Mich. 82. Married, one son. Born British Columbia; father international oil pioneer. "I was the only undergrad at the U. of Pittsburgh who went home to a hilltop castle in France for summer vacations." Father died leaving no estate, 1928. Accountant; Army fiscal analyst WWII. Moved to Detroit, opened Russell Kelly Office Services, 1946. Went national 1950s, took public 1962. Expanded into home health care, 1976. Stepson, Terence Adderley, president and CEO. Russell, semiretired, still chairman, holds stock worth over $490 million.

At least 10 members of The Forbes Four Hundred did not finish high school. At least 32 finished high school only. At least 304 attended college, of which 240 graduated. Postgraduate degrees: M.B.A. 47; Law 15; Other 16.

James LeVoy Sorenson

Medical Devices. Salt Lake City, 66. Married, 8 children in business. Traded medical school for Mormon missionary work. Bought pastureland $25/acre, cashed in during 1950s uranium boom. Formed Deseret Pharmaceutical, hit big with disposable catheter; sold out 1960. Started Sorenson Research, 1972, with $1,000 personal investment, sold 1980 for $100 million in Abbott Labs stock. Now runs Sorenson Development: cosmetics, LeVoy's lingerie; also firm researching medical devices, drug and environmental tests. Holds 50 patents. Still remembers early rejection: "I spend half my time with young people, sorting out new ideas." Minimum net worth $480 million.

Leonard Samuel Skaggs Jr.

American Stores Co. Salt Lake City. 64. Married, 4 children. Tennessee Baptist Samuel Skaggs (grandfather) founded first Skaggs store 1915. L.S. Sr. founded Safeway chain with 5 brothers. Later, on own, started Skaggs Cos. with acquisition Payless Drug Stores 1939. L.S. Jr. inherited 1950 at 26. With Joe Albertson *(which see)* pioneered "one-stop" concept merging grocery, drugstores 1970. Success, but partners split 1977. L.S. purchased rival Jewell Cos. 1984 in hostile takeover. Analyst: "He likes to get what he wants to get." Third-largest supermarket/drugstore, with $13 billion in revenues. Chairman Leonard frugal; his shares worth $480 million.

George Phydias Mitchell

Oil, real estate. Houston. 68. Married, 10 children. Son of immigrant Greek goatherd-turned-shoe-shiner; owned cleaners. Worked way through Texas A&M selling stationery; studied petroleum engineering, geology. After Amoco stint, WWII, some wildcatting; bought into predecessor of Mitchell Energy & Development Corp. On tip from bookie discovered huge natural gas reserves, which provided 10% Chicago gas supply for 25 years. Channeled profits into the Woodlands, 25,000-acre planned community near Houston. Modest, self-effacing. "George Mitchell likes showing the world that it can be made better at a profit." Stock in Mitchell Energy alone worth over $470 million.

Armas Clifford Markkula Jr.

Apple Computer. 45. Woodside, Calif. Married, 2 children. Electrical engineer from USC, worked first at Hughes Aircraft, then Fairchild and Intel. Persuaded 1976 by two computer freaks to put up $91,000, line up venture capital to start Apple. "Mike" named chairman 1977, CEO 1981. Relinquished role to John Sculley, brought in from PepsiCo, 1983; remains vice chairman. Also chairman of small airplane charter service, ACM Aviation, Inc., San Jose. Otherwise enjoying semiretirement. "It's very important to know your limits." His 6.4% of Apple stock and proceeds from stock sales worth more than $470 million.

Gordon Earle Moore

Intel Corp. Santa Clara County, Calif. 58. Married, 2 children. Ph.D. from CalTech (chemistry, physics) 1954. Cofounded Fairchild Semiconductor Corp., 1957. Founded Intel, 1968. Introduced silicon gate metal oxide semiconductor, building block of chip technology. Pioneered memory chips and microprocessors. "We're in the business of revolutionizing society." Retired as CEO last April; still chairman of board. Author, columnist, management "guru" Andrew S. Grove now CEO. Says Grove, "He's a thinker, and I'm an activist." 1986 sales over $1.25 billion. Largest customer IBM recently sold part of its Intel stake. Moore's Intel stock worth over $465 million.

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At least 23 members of The Forbes Four Hundred own 30% or more of at least one professional football, baseball or basketball team.

Robert Edward (Ted) Turner III

Turner Broadcasting System. Roswell, Ga. 48. Divorced once, currently separated. Booted from Brown U.: girl caught in his frat room. Joined Coast Guard. Rescued late father's bankrupt billboard firm with aggressive space selling. Began first cable superstation, WTBS Atlanta, 1976. Brainstormed CNN 1980. Pursued CBS 1985, failed; bought "vastly overpriced" MGM from Kirk Kerkorian instead. "Captain Outrageous" had 80% control diluted in reorganization of company; granted veto to cable operators fearful of enormous debt, hurt by hexed Goodwill Games. "I'm not having as much fun as I used to." His TBS stock, other assets, worth at least $465 million.

William S. Paley

CBS. NYC and Southampton, N.Y. 86. Divorced, widowed; 4 children, 2 stepchildren. Son of wealthy Philadelphia cigar king; joined stogie business after college 1922. Bought into United Independent Broadcasters 1928 for $500,000; programming genius with eye for talent: hooked Bing Crosby, Jack Benny, Kate Smith. CBS now 211 affiliates, radio networks, records, etc. Retired 1983; forged comeback with pal Larry Tisch *(which see)*. 1986; "We've taken a good hold of things." Founded New York's Museum of Broadcasting 1976. His 8% CBS stock, art, other holdings worth $450 million.

Peter Stephen Kalikow

Real estate. NYC. 44. Married, 2 children. Family longtime builder Brooklyn, Queens rowhouses; father Harold (d. 1983) split from brothers 1967. Peter used co-op proceeds from outer-borough apts., built luxury rentals Manhattan; now about 6,000 NYC units. Went out on limb to build 101 Park Ave. 1980; office demand swelled as if on cue. Renovated old AT&T headquarters near Wall St. Bought 1,200-unit East Side tenement block 1985; threatened mass eviction. Many protests, publicity; now plans only partial demolition, buyouts, relocation benefits. Car buff: designed Italian sports cars 1970s, lost $500,000. Net worth estimated around $450 million.

Laszlo Nandor Tauber

Real estate. Potomac, Md. 72. Divorced, remarried; 2 children. Champion teenage Hungarian gymnast; surgeon 1942. Nazi concentration camp, then forced labor camp; 2nd escape successful 1944. To U.S. 1947; built apt. bldgs. in spare time 1950s. Built own hospital 1965, huge Parklawn bldg. for govt. offices 1969; now Uncle Sam's biggest landlord. Switched to buying 1970s, owns choice NYC structures (AMA Bldg., Galleria). Now owns over 7 million sq. ft. Lately doing foreign currency swaps. Many charities, esp. Holocaust studies; searches for those who helped him in past. Still chief of surgery, dreads retirement. Worth well over $450 million.

Fitz Eugene Dixon Jr.

Inheritance. Lafayette Hill, Pa.; Palm Beach, Fla. 64. Married; son, daughter. Primary heir 2 great fortunes: Streetcar magnate P.A.B. Widener (d. 1915: reported worth $100 million); William Elkins (d. 1903; reputedly left $30 million). Freshman dropout Harvard, taught for 16 years—"happiest days of my life"—at his Main Line prep school, Episcopal Academy. Now philanthropist, manages fortune: mostly blue-chip stocks, high-grade bonds. Owns most of Grindstone Neck, Me., faded resort where he was born. Once owned basketball 76ers, now over 10% baseball Phillies. Bought house for $75,000, found original Audubon prints worth $200,000 plus. Estimated worth: over $450 million.

Sheldon Henry Solow

Real estate. NYC. Early 50s. Married, 1 child. Started as small-time builder, risked all on tough 57th Street assemblage: "We're in barracuda land. You can only get away with this once." Built 1.4-million-sq.-ft. 9 W. 57th St.: "the bell-bottom building," with sloping glass sides and big red "9" sculpture. Gets premium rents for its great park views; valued at $600 million. Also some Manhattan residential properties, including 19th-century-style row of town houses. Known as fierce negotiator: "He's an impossible man." Respected collection modern art. Press-shy. Less debt, worth over $450 million.

Robert Rich Jr.

Rich Products Corp. Point Abino, Ontario and Palm Beach. 74. Married, 3 children. Milk administrator WWII ("The cow is a very inefficient factory"); pioneered frozen nondairy products industry by accident: His wartime soybean-based whipping cream still whipped after thawing. Introduced Coffee Rich creamer 1960; diversified via acquisition, mostly small frozen-food companies (1986 sales, $650 million). Son Robert Jr., 46, now president: "Nepotism works." Family bought naming rights to Buffalo NFL stadium for $1.5 million 1972, owns stake Buffalo Sabres hockey team. Also AAA Buffalo (baseball) Bisons. "We're jocks." Recently bought Buffalo radio station. Net worth over $450 million.

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John Orin Edson

Leisure craft. Seattle. 54. Married, 2 children. Founded Bayliner (powerboats) 1955. Company has been fastest craft on water: Sales and profits doubled in each of last three years. Sold to Brunswick late 1986. Noncommunicative: Edson says he has no other interests, investments or associations. Maintains 105-foot yacht; pilots the several planes he owns. Remarkable ability to carry out classic precept: simplification of production. Also, simple credo: Success is assured with giving best value to consumer. Net worth exceeds $450 million.

William Coburn Cox Jr.

Jane Cox MacElree

Brother and sister. Inheritance. Great-grandfather Clarence Barron (d. 1928) bought *Wall Street Journal*, Dow Jones Ticker, 1902; founded *Barron's* 1921. Children of Barron's granddaughter Jesse Cox (d. 1982). Bill: 56. London, Nantucket. Married, 4 children. Currently on Dow Jones board, director European operations. Jane: 58, Newtown Square, Pa. Divorced, remarried; 7 children. Active in Philadelphia charities. Thanks to *Wall Street Journal*'s great success, the two share trusts in Dow Jones stock worth $900 million.

Barbara Piasecka Johnson

Princeton, N.J. 50. Widowed, no children. Third wife John Seward Johnson (d. 1983). Claims art history M.A., Wroclaw Univ.; fled Poland, arrived U.S. 1968 with $100. Upstairs chambermaid on Johnson's estate; married him 3 years later. Built $30 million, 160-acre "Jasna Polana" in Princeton late 1970s complete with air-conditioned doghouse. Vast old masters collection: Vermeer, Fra Angelico, Raphael, Botticelli; Greek, Roman sculpture. "Money is to spend; it does not have any value otherwise." Soap-opera court battle with Johnson's children; "Basia" got assets now exceeding $450 million; already wealthy children *(see family)* netted $42 million.

The average age of The Forbes Four Hundred is 62.9

Arthur Ochs Sulzberger

Iphigene Ochs Sulzberger

The New York Times Co. NYC. Tennessee newsman Adolph S. Ochs (1858-1935) purchased *New York Times* 1896 for $75,000; alternative to era's "yellow journalism" became one of world's most respected newspapers. Some decline from escalating labor costs, reader flight to suburbs 1950s-60s. Grandson Arthur Ochs (Punch) Sulzberger became publisher 1963, chairman 1973; revamped "Gray Lady's" design 1970s, recaptured elite readers; also diversified (radio and TV stations, 35 newspapers, 10 magazines, cable system, etc). Punch: 61. Divorced, remarried; 2 children by each marriage. Recently elected chairman of NYC's Metropolitan Museum of Art; not an art collector: "Why should I be when the Met's incredible collections are so close at hand?" Mother Iphigene: 95, widowed. Witty, irreverent, expelled at 12 from girls school for "impertinence." Director 1917; director emeritus 1973: "My chief claim to fame is survival." Mother and son preside over Ochs Trust controlling 22% New York Times Co. With stock sales, combined fortune totals at least $880 million. Punch grooming son Arthur O. (Pinch) Sulzberger Jr., 36, as successor. "They prize order, planning and family."

Paul Fireman

Reebok International Ltd. Newton, Mass. 43. Married, 3 children. Stalked Chicago sporting goods show "looking for opportunities." Found it in British shoe company Reebok International. Established Reebok U.S.A. with licensing agreement 1979; bought out parent company 1985. Fireman's idea: athletic shoes for aerobics. Sponsored aerobics clinics to promote shoes: "We helped create our own market." Flashy colors, design became fad. Announced Weebok line of kids' shoes 1986; now expanding into sportswear, walking shoes. Annual bonus equals 5% of company earnings over $20 million; his 1986 cut: $12.7 million. With wife, 19% Reebok worth $435 million.

Estée Lauder

Leonard Alan Lauder

Ronald Steven Lauder

Mother, 2 sons. Cosmetics. NYC and the Hamptons. Estée: "69." Widowed, 2 sons. Born NYC's Queens as Josephine Esther Mentzer to Hungarian immigrant parents. Peddled skin creams for uncle, attached her name to several brands. Summer resort romance led to marriage to Joseph Lauder (d. 1983), went on own with 4 brands. By 1960 sales over $1 million (mostly Youth Dew fragrance). "Sees" fragrances; uncanny sixth sense for consumer trends. Today, one of world's largest cosmetic companies. Clinique, Cinnabar, White Linen, etc., etc. sold mostly through upscale stores, boutiques. Not involved in day-to-day operations, but still reigning queen of cosmetics. Leonard: 54. Married, 2 sons. Current CEO; instrumental in firm's expansion overseas. Ronald: 43. Married, 2 daughters. Ran foreign operations. Political aspirations spurred 1983 exit to become deputy asst. defense secretary (NATO); U.S. ambassador to Aus-

tria (1986-1987); still company director. Share company worth well over $1.3 billion.

Marshall Field V

Frederick (Ted) Woodruff Field

Half-brothers. Inheritance, media. Original Marshall Field started as Chicago salesman 1850s; built up Marshall Field & Co. into world's largest department store. Marshall III redirected empire: sold store 1941, started daily *Chicago Sun*, added *Times*, TV, cable. Field Enterprises inherited by Marshall IV (d. 1965, at 49). Harvard-fresh Marshall V joined *Sun-Times*, became publisher age 28. Shared company (5 TV stations, *Sun-Times*, cable, etc.) with near-opposite half-brother Frederick (Ted), who spurred celebrated liquidation 1983. Marshall: Lake Forest, Ill. 46. Divorced, remarried; 3 daughters, 1 son. Bought Ted's share of real estate arm Cabot, Cabot & Forbes; now main business vehicle. Back in media with purchase Pioneer Press from Time Inc., educational publications from Xerox. Bought Muzak (elevator music) 1986. Ted: Beverly Hills. 35. Divorced twice, remarried; 2 children. After a brief fling racing cars, moved to LA to produce movies as Interscope Communications. Made *Revenge of the Nerds, Outrageous Fortune*. Bought Panavision from Warner Brothers for $20 million cash 1985, realized $80 million profit in 1987 sale. Occasionally invests with Sir James Goldsmith, also trades commodities. Extremely charitable but low-key. Insider: "Ted's one of the warmest people you'll never meet." Marshall worth at least $425 million; Ted at least $400 million.

Ernest Gallo

Julio Gallo

Brothers. Wine. Modesto, Calif. 78, 77. Each married with 2 children. Italian immigrant father, Joseph, bought 230-acre Modesto vineyard; Depression all but wiped him out. Ernest and Julio, with $5,900, figured they had the grapes, they'd make the wine; went to local public library to find out how. A billion dollars later (estimated 1986 Gallo revenues), smiling Julio continues to squeeze the grape, unsmiling Er-

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nest to pinch the penny. Chairman Ernest is considered "intuitive marketing genius." The two maintain vise-like grip on costs and every facet of business. Recruits on sales force given 300-page training manual. First major success: Thunderbird (connoisseurs feel even winos might reject, but they don't). Constant effort since to upgrade product, image has led to high praise for winery's "high standards." Latest coup: Tardy entry (Bartles & Jaymes) in cooler market took top spot in just six months; competition's profit margins shattered. Gallo's total ad budget 1986 ran to $40 million. Brothers lobbied for estate tax amendment (now in effect, known as the "Gallo Amendment") that may mean millions for grandchildren. Bit of vinegar in this bottle: Brother Joseph, sued by Ernest and Julio for putting family name on his cheese business, is suing in turn for third of winery, alleges it should have been part of his inheritance. Company alone is worth $850 million; Ernest and Julio also believed to hold large personal portfolios.

Stanley Stub Hubbard

Broadcasting. St. Mary's Point, Minn. 54. Married, 5 children. Son of Stanley Eugene, 90, who founded nation's first (unsuccessful) commercial airline; built one of first radio stations, WAMD ("Where All Minneapolis Dances"), 1923; added TV, 1948. Stanley Stub took charge after father's 1981 stroke. Hubbard Broadcasting now 6 TV stations, 2 radio, production co. True believer in satellite TV: leases or owns 3 transponders; controls Conus Communications, satellite news gathering service with 67 member stations; developing satellite-borne program syndicator USTV. "The days of three people in New York planning the program fare for America are gone." Fortune, held in trusts, exceeds $425 million.

Russell Berrie

Russ Berrie & Co. Englewood, N.J. 54. Divorced, remarried; 5 children. Began as gift sales rep 1956; started Russ Berrie & Co. in garage 1963, sold "fuzzy wuzzies": "They were disgustingly irresistible." Now markets over 6,000 message-bearing, impulse-buy items (stuffed animals, wall plaques, greeting cards et al.) through gift stores, airports, retail shops, etc.; most items under $12. After disastrous attempt at manufacturing, most items now made in Far East: "Our abilities lie in marketing and sales, not in manufacturing." Periodically cashes in some stock; bid for New Jersey (basketball) Nets rejected 1986. His 54% stock, other assets worth $420 million.

John Jeffry Louis Jr.

Inheritance. Winnetka, Ill. 62. Married, 3 children. Mother, Henrietta, a Johnson of Johnson Wax *(see also Samuel Curtis Johnson)*. Attended Deerfield Academy; left Northwestern for Army Air Force, got wings 1945. Worked in father's ad agency before international marketing for Johnson Wax. Founded Combined Communications 1968; chairman up to 1981 merger with Gannett. Major contributor to Republican Party; appointed ambassador to Britain by Reagan 1981. Not professional diplomat; resigned 1983. Director S.C. Johnson, Gannett, Air Wisconsin, Baxter-Travenol. Philanthropist, golfer, amateur flier. With family's 30% S.C. Johnson & Son, other holdings, exceeds $410 million.

Joseph J. Gruss

Oil, investments. NYC. 84. Widowed; 1 son, 1 daughter (married to Kenneth Lipper, former NYC deputy mayor). Learned banking from father in eastern Poland. Ownership of travel agency was ticket to U.S. 1939. Spoke no English; formed investment house Gruss & Co. Sunk arbitrage, brokerage profits into oil and gas from 1952. Silent partner of John Cox *(which see, others)*. Another Cox partner: "We liked to bring him in because he was so lucky. But he could skin the pants off you on a trade." Used to beat on office wall to summon accountant. Frugal. Deeply religious, over $100 million donated to Jewish causes. Son Martin now runs business. Joe denies but, with family, worth well over $400 million.

Cordelia Scaife May

Inheritance. Ligonier, Pa. 59. Divorced, widowed; no children. Great-granddaughter of Judge Thomas Mellon. Brief marriage to Herbert A. May Jr. 1950. Wed longtime friend Robert Duggan, Pittsburgh D.A., 1973; he died of gunshot wound 1974 amid corruption investigation. Brother Richard Mellon Scaife *(which see)* has not spoken to her since. Lives modestly, supports population control, other liberal causes. Maintains family tradition (Mellon fortune founded by 19th-century venture capital investments) in small way funding emerging companies through Roldiva Inc. Net worth (much in trusts) over $400 million. *(See also other Mellons, Currier family.)*

Neil Gary Bluhm

Judd David Malkin

Partners. Real estate. Chicago. Boyhood chums from blue-collar section of Chicago. Delivered root beer, roomed at U. of Illinois.

Among The Forbes Four Hundred, August Busch and George Mitchell have the largest number of living children (10).

REFLECTIONS

ON THE MANAGEMENT OF QUALITY
FROM
PHILIP CROSBY ASSOCIATES, INC.

QUALITY: THE CEO'S CHOICE

by Philip B. Crosby

One thing every Chief Executive yearns for is the time when each individual in the company routinely does exactly what they said they were going to do, and does it right the first time. Procedures are followed, customers receive what they have been promised, and managerial direction is implemented to its intended conclusion. The company becomes much easier to manage, expenses go down and profits go up. The boss might even get an afternoon off once in a while.

The only thing that keeps this happy situation from existing is the absence of credible executive action giving people permission to do things right and the help that such permission requires.

CEOs and other senior executives bristle at such a statement. They feel they are dedicated to quality and regularly say so in speeches and letters. They worry about quality and read all the articles about it. They feel they are interested and demanding. They support the internal improvement programs designed to motivate the workers.

However their real life witness is not all that clear. Here are some of the things that typically happen in companies where quality is a continuing difficulty:

1. Quality is not a planned agenda subject for the senior staff meeting except for "quality problems" that arise.

2. Nobody important has ever been busted because of quality, although many have walked the plank for cost and schedule problems.

3. There is no management-driven Quality Improvement Process.

4. There is no understandable quality policy.

5. No one knows what the company's Price of Nonconformance is. (In manufacturing companies it is at least 25 percent of sales; service companies spend 40 percent and more of their operating cost — all on doing things wrong and over.)

Helping CEOs attain their dream is what Philip Crosby Associates is all about. We conduct the education and implementation support that permits a company to permanently change quality from a debit to an asset. This is the CEO's choice.

The change doesn't take all that long. In the process every single soul becomes involved in understanding the common language of quality and learns how to perform his or her personal role in making quality happen.

The financial expense of doing all of this is usually less than one week's Price of Nonconformance. Executives, however, have to change their personal way of working so that quality becomes first among equals to them. Think of it this way: If management had made the choice to pay attention to quality in the past it wouldn't need a quality improvement effort now. The future isn't going to take care of itself; nothing will change until the choice for quality is made.

If you would like further information, contact Philip Crosby Associates, Inc., attn: Inquiry, 807 W. Morse Blvd., P.O. Box 2369, Winter Park, Fla., 32790-2369, (305) 645-1733.

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After months of pleading, CPA Malkin persuaded lawyer Bluhm to be third partner in new venture: JMB Realty Corp., formed 1968, bought out partner 1973. Via limited partnerships, acquisitions, turned small syndicator into leading manager real estate assets ($16 billion) including Boston's Copley Place, LA's Century City. Both live Winnetka, Ill., 49, married, 3 children each. Low-key team players. Malkin, chairman, financial planner: "The overriding theme is long-term relationships." Biggest move into development with $2 billion purchase of Cadillac Fairview 1987; other diversification bids have failed (Chicago *Sun-Times*, Viacom Int'l). Bluhm, president: "A lot of developers are high profile. They can have the glory; we'll take the cash flow." Each has one-third stake in JMB Realty (rest split among employees) estimated to be worth over $400 million.

Jeremy Maurice Jacobs

Sports concessions. East Aurora, N.Y. 48. Married, 6 children. Father Louis founded forerunner to Emprise Inc. with brothers 1915, hawked popcorn in theaters. Made loans to bail out struggling baseball teams 1920s, 1930s; won long-term ballpark concession contracts, including Detroit, Milwaukee, St. Louis, Chicago, etc. Emprise convicted in 1966 scheme concealing mob ownership of Vegas casino. Lou, "Godfather of Sports," bought out brothers, died 1968. Jeremy expanded into parking lots, airport concessions, metal refining, horse and dog tracks, Boston (hockey) Bruins, venerable Boston Garden; bought out brothers 1980s. Renamed Delaware North Cos., sales now about $1 billion. Net worth exceeds $400 million.

Andrew Jerrold Perenchio

Television. Bel Air, Calif. 56. Twice divorced, 3 children. Son of Fresno vintner; ran catering business to pay for UCLA. Then, talent agent; clients: Liz Taylor, Marlon Brando. Promoted Ali-Frazier fight, Billie Jean King-Bobby Riggs match. Teamed with Norman Lear *(see Dropouts)* 1974; sold all program interests to Coca-Cola for $485 million 1985. Failed bids for Detroit papers, Spanish TV stations. Bought Loews theaters for $160 million 1985, sold for reported $300 million 1986. Paid $13.6 million for Kirkeby estate, home of *Beverly Hillbillies*. "Jerry Perenchio is what everybody thinks show business is all about." Private: "I really don't want my name in the goddamn paper." Worth more than $400 million.

Claude B. Pennington

Oil, gas. Baton Rouge, La. 86. Married; 1 son (killed in 1958 oil rig accident), 3 grandchildren. Joined father's eye-and-ear clinic as optometrist in 1925 but saw dollar signs in oil. "Doc" traded leases and acquired large pieces of Tuscaloosa Trend. Never gave up on dry holes. First big strike 1952, attracted major oil companies. Moved by suffering of Third World children, created LSU nutrition center 1983 with $125 million donation, largest in philanthropic history. Still rumored to have $70 million in local bank accounts. Net worth, mostly oil reserves, at least $400 million. "I had more fun when I didn't have any money."

The average number of children among members of The Forbes Four Hundred is 3.1.

William Edward Simon

Leveraged buyouts. New Vernon, N.J. 59. Married, 7 children. Insurance agent's son, first Wall St. job $75/week, later up to $3 million/year trading bonds at Salomon Brothers. Ford's "Energy Czar," Treasury boss. 5½-inch *Who's Who* entry. Friends, incl. George Shultz, lost shirts on late-1970s Simon-led oil deal while Bill reportedly took cuts. Formed LBO vehicle Wesray with Raymond Chambers *(see Dropouts)* 1981. Big gains: Gibson Greetings (est. $78 million), Avis (over $80 million likely). Pair split after personality clash. Now building Pacific rim empire with ailing S&Ls. Worth over $400 million. Defensive: "It's as if making money had become pejorative."

Lawrence Fisher
Zachary Fisher

Brothers. Real estate. NYC. Larry: 78. Zachary: 77. Both married, 1 child each. Third generation of family in New York real estate (many sons, nephews now in the business). Built Queens apts. 1930s; moved up to Manhattan offices 1960s. Built over 7 million sq. ft. midtown towers, including Burlington House, Stevens Tower, Park Avenue Plaza. Respected architecturally. Lately active in stock market: considered a run at CBS 1985, sold stock for $30 million profit. Larry, NY Yankees fanatic, called "a very, very tough hombre. He gives nothing away." Patriotic Zach gave $4 million to convert aircraft carrier *Intrepid* into floating museum; bled white by criminals, *Intrepid* bankrupt 1985. Family worth over $800 million. Larry: "I'm not the kind of guy who likes to see his name in the newspapers."

Thomas Henry Dittmer

Commodities. Lake Forest, Ill. 45. Married, 2 children. Raised Sioux City, Iowa; started as runner at Chicago Mercantile Exchange mid-1960s. Mistaken purchase of 100 egg contracts saved by surprise rally, made $165,000, bought Merc seat. Started agricultural commod-

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Step # 3

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ities trading firm 1969. Paid $525,000 CFTC fine for exceeding trading limits 1982. Built "risk management" powerhouse Refco Group (assets $1.3 billion): probably world's largest commodity futures clearinghouse, also stock index options, currencies, metals. Driven: "The Rambo of the futures industry." Two former execs awarded $30 million in suit against Refco for stealing their business; on appeal. His 90% of Refco, plus stake in biggest U.S. cattleyard, worth over $400 million.

Howard Kaskel

Real estate. NYC. 50. Married, 6 children. Father Alfred (d. 1968) built up Doral Hotel chain, Howard has expanded. About 1,000 rooms in 3 NYC hotels, plus 900,000 sq. ft. Park Avenue office building. Doral Hotel & Country Club, 650 rooms on 2,400 acres Miami, is city's top hotel, occupancy near 90%. Also 420-room Doral Hotel-On-The-Ocean, Miami Beach. His Carol Management Co. has thousands of apts. in NYC's Queens, Chicago, Conn. Launched 224-unit condo, The Alfred (named for father), near NYC's Lincoln Center; paid $60 million for Westchester County, N.Y. conference center. Bought 6%, may bid for all of Kansas City Southern. Net worth exceeds $400 million; too high, says he.

Marshall Edison (Doc) Rinker

Cement. Palm Beach. 82. Widowed, 3 sons. Nicknamed Doc for sickly childhood. Founded Rinker Supply Co. 1926 with dump truck, sold "sand-rock-muck"; today Rinker Materials largest Fla. cement company. Son David succeeded father as president 1982, lasted 1 year. Dad: "The worst thing you can do is put a Boy Scout in a soldier's uniform." Doc still firmly in control: "I'm going to keep going until I die. Then God will handle it." Co. almost sold 1984 to Florida Power & Light for $350 million. Joins employees in co. work policy: in by 7:00 a.m., work until noon on Saturdays. Net worth $400 million.

Donald John Tyson

Barbara Tyson

Brother, sister-in-law. Tyson Feed & Hatchery, founded 1947. Name changed to Tyson Foods, Inc., went public 1963. Acquisitions, quick response to markets propelled co. to forefront of poultry industry: 1986 sales, $1.5 billion. Precooking and processing add value to broilers. Supplies most but not all major fast-food chains, won't specify which: "It's like dating all the high school cheerleaders at once. I believe in coexistence." All execs must wear khaki farm clothes: "If we all wore suits, we'd sit here in the office." Family plagued with tragedy: Don took over when parents died in auto crash 1966; brother Randy choked to death 1986. Don: Springdale, Ark. 57. Married, 3 children. Willie Nelson sings at parties. Sister-in-law Barbara: Fayetteville, Ark. 38. Widowed, no children. Beneficiary of husband Randal's estate. Don worth over $400 million, Barbara over $325 million.

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Frank Batten

Publishing, broadcasting, cable TV. Virginia Beach, Va. 60. Married; 2 daughters, 1 son in business. Nephew of Samuel L. Slover, who came to Virginia 1900, was offered half-interest in Newport News daily if halted red ink within year. Succeeded; built Landmark Communications. Raised nephew Frank, named publisher 1954 at 27 after Harvard Business School. Reshaped, aggressively expanded company; first cable franchise 1963. Now over 500,000 cable subscribers, 10 dailies (flagship Norfolk *Virginian-Pilot, Ledger-Star*), 29 nondailies, 2 TV and 2 radio stations, the Weather Channel, etc. Larynx removed because of cancer. Frank's 38% stake in Landmark worth over $400 million.

Robert Staples Howard

Publishing. Rancho Santa Fe, Calif. 62. Married; 3 sons, 1 daughter. Univ. of Minnesota dropout. After WWII service inherited hometown (Wheaton, Minn.) newspaper; swept floors, set type. Picked up others scattered across country including *Casper* (Wyo.) *Star-Tribune*. Howard Publications now 19 smallish dailies ($185 million revenues; over 450,000 circulation), Buffalo, N.Y. TV station since 1977. Late entry cable TV in partnership with Donald Reynolds *(which see)*, over 150,000 Los Angeles-area subscribers. Also small oil and gas exploration company. On success: "It was cumulative. Work is my hobby." Fortune believed to exceed $400 million.

Seymour Cohn

Real estate. NYC and Upper Brookville, N.Y. 76. Widowed, 2 children. Great-grandparents came from Germany 1860s. Dabbled in real estate; became familial calling. Seymour joined uncle's firm 1931, rented space in fish district. Persuaded kid brother Sylvan Lawrence to join him in own firm 1946. Scrambled, saved commissions, parlayed into lower Manhattan's largest, if unglamorous, real estate empire: about 12 million sq. ft. at peak. Sylvan directed firm until death 1981; many holdings since sold for $600 million. Seymour still active, also breeds horses: "Girls love horses. I love horses, and I love girls." His half of fortune worth at least $400 million *(see Laurence family)*.

Burton Paul Resnick

Real estate. Rye, N.Y. 50. Married, 3 children. Father Jack started small Bronx construction firm 1928, moved to Manhattan early 1950s. Burton joined firm straight from Univ. of Chicago 1956. Developed mostly residential projects, still holds over 1,600 NYC apts; also some office bldgs. Built, sold Florida condos since 1968. Bought many older offices after mid-1970s real estate crash; Jack Resnick & Sons now controls some 5 million sq. ft. NYC. Active builders, 2 current projects. Jack, now 80, largely retired; Burt runs co. Both philanthropic. Partners in early projects include Belfer family *(which see)*. Resnicks deny it, but their interests worth over $400 million.

Shelby Cullom Davis

Investment banking. Tarrytown, N.Y. 78. Married; 2 children. Graduated from Princeton 1930, Columbia grad school 1931, Ph.D. poli. sci. Univ. of Geneva 1934. Served as CBS correspondent in Switzerland before WWII; U.S. ambassador to Switzerland 1969-75. Learned insurance business as N.Y. superintendent of insurance 1945. "I got to know who were the bluffers and who were the people who were really professionals." Started investment bank, Shelby Cullom Davis & Co., 1947, with $100,000; specialized in insurance stocks. Currently chairman of Heritage Foundation, active in conservative causes. Avid skier with wife of 55 years. Net worth over $400 million.

James Lawrence Walton

Wal-Mart Stores. Bentonville, Ark. 65. Divorced, 2 daughters. Ran small five-and-ten in Missouri. Pooled fortunes with older brother Sam *(which see)*; Sam's merchandising concept of large discount stores in rural towns took off. Expanded chain to 16 stores in next 10 years; first "Wal-Mart Discount City" opened in Rogers, Ark. 1962. James (Bud) oversaw real estate. Occupies two Wal-Mart posts: senior vice president, director. Centimillionaire good old boy: quiet, low-profile; spends much time at exotic fishing holes (Argentina, Alaska, etc.). His 10 million shares Wal-Mart worth $400 million.

The youngest member of The Forbes Four Hundred is Lee Bass, 31.

Stephen Davison Bechtel Sr.

Stephen Davison Bechtel Jr.

Engineering, construction. Warren Bechtel built railroads 1898 in Oklahoma Territory; moved to Oakland 1904. Son Stephen Sr. turned company into global giant through megaprojects (Hoover Dam; Alaskan pipeline; DC, SF subways). "Steve Junior" took over 1960, expanded into nuclear construction. 1970s oil boom brought huge Saudi Arabian ventures, including $40 billion industrial city, Jubail: "The Saudi family likes dealing one dynasty to another." 1986 revenues: $6.5 billion; continue drop from 1983 high of $14 billion. Stephen Sr.: Oakland. 87. Mar-

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ried, 2 children. Still director, no plans to retire: "I don't see any rea son why I should." Stephen Jr: San Francisco. 62. Married, 5 children Sr. and Jr. control just under 50% Bechtel stock; with investment co Sequoia Ventures, combined worth estimated at $800 million.

Arnold Bernhard

Value Line, Inc. Westport, Conn 85. Married, 2 children. After col lege worked briefly as *Time* theate critic; wrote play *Bull Market* 1928 "Fortunately, it was never pro duced." Fired as Moody's analys during Depression. "You have no idea what it meant to be out of a job in 1931." Convinced stock prices ultimately rational: Founded fore runner Value Line 1931; now na tion's largest investment advisory service. Analyst: "Value Line is the L.L. Bean of investing." Own Hummingbird Cay, Bahamas islan devoted to ecological study. Suc cessor-to-be: daughter and vic chairman Jean, 52. With over 80% Value Line, shares in own mutua funds worth over $390 million.

Harold Brown

Real estate. Boston. 62. Divorced; children, 1 in business. Father wa poor Russian immigrant who sol secondhand furniture. MIT-traine metallurgist; owned a few dough nut shops. Began dabbling in rea estate 1955. His Hamilton Realt Co. is now the Boston area's bigges landlord: 7,600 apartments (1 of ev ery 15 in town, at peak), 8.8 millio sq. ft. offices, including suburbs Started with rehabs, now muc construction. Hard-nosed landlord many tenant scrapes: "I'm a pussy cat." Consent decree with Justic Dept. over racial discriminatio 1982. Pleaded guilty 1986 to payin $1,000 bribe for building permi Worth over $385 million. "If yo stand still, you really are goin backward."

Henry John Heinz III

H.J. Heinz Co. 48. Fox Chapel, Pa Washington, D.C. Married, 3 chi dren. Grandfather H.J. Heinz bo tled, sold horseradish Sharpsburg Pa. Heinz & Noble, founded 186 with partner, went under. Re emerged 1888 H.J. Heinz Co., be came ketchup czar, internationa

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food giant: also Weight Watchers, Star-Kist, Ore-Ida brands. H.J. II (d. 1987), benefactor, gave over $300 million to various charities. Celebrated 110th anniversary of Heinz ketchup last year opening Heinz museum. H.J. III two-term Republican senator from Pennsylvania; legislated mandatory retirement age repeal, private pension reform; also best overall congressional athlete. Minimum net worth $380 million.

Mark Goodson

Game shows, newspapers. NYC. 72. Thrice divorced, 3 children. Russian immigrant father opened first health food store in Berkeley, Calif. To NYC 1941 as radio announcer; produced, directed radio soap operas. With partner Bill Todman (d. 1979) did radio game shows 1940s, then *What's My Line* for TV

The oldest member of The Forbes Four Hundred is Iphigene Ochs Sulzberger, 95.

1950: "I gave it 10 weeks." It ran 25 years. Later, *I've Got a Secret, To Tell the Truth, The Price Is Right, Password, Match Game, Concentration, Family Feud*, etc. Profits plowed into newspapers: now has 50, incl. *New Haven Register* (acq. 1986 for $170 million), Morristown (N.J.) *Daily Record* (acq. 1987 for $155 million). Net worth: estimated at least $375 million. "I hate to fail even more than I like to succeed."

Jack Tramiel

Atari Corp. Zephyr Cove, Nev. and Saratoga, Calif. 59. Married, 3 sons, all in business. Polish-born (né Kaufmann Idek Tramielski), Auschwitz survivor, immigrated 1947. Cook, cabbie; founded home computer maker Commodore in Bronx typewriter repair shop 1958. Implicated in Canadian bankruptcy scandal (Atlantic Acceptance Corp. 1965) but Commodore became highflier. Ousted in power struggle 1984 with estimated $70 million in stock. Gobbled up bleeding Pac-Man maker Atari from Warner, fired 900, built budget clone of Apple's Macintosh; went public 1986; still big in home video games (1986 sales, $258 million). His 51%, other holdings worth $375 million. Former exec: "He's left a lot of destruction in his wake."

Larry Abraham Silverstein

Real estate. NYC. 56. Married, 3 children. Leased Lower East Side lofts with father. Sold syndicates with now ex-brother-in-law Bernie Mendik *(which see)*, 1957-77; still partners in some. On own, bought NYC offices; built N.J. offices, malls in Ky. with partners: controls over 10 million sq. ft. Built 2-million-sq.-ft. 7 World Trade Center; now finished, at risk: only 13% currently rented. Broker: "He's cool as a cucumber." Also active: Gimbels site on Herald Square with Mel Simon *(which see)*, Times Square hotel, far West Side assemblage, etc. Even burdened by 7 WTC, worth more than $375 million. "You take care of your real estate, and your real estate will take care of you."

August Christopher Meyer

Broadcasting. Champaign, Ill. 86. Married, 1 son in business. Well-known lawyer in hometown Champaign, entered TV business by default: rescued station he had helped launch 1953, eventually acquired. Bought San Diego TV station 1964: $11 million investment up over 20-fold. Midwest Television now owns 3 TV and 4 radio stations; virtually debt-free. Chairman of family-controlled Bank of Illinois (assets $200 million) since 1962. Son August Jr. (Chris) running stations since 1976. With San Diego real estate, bonds, net worth at least $375 million. "Finish each transaction as if you expected to do business with them tomorrow."

Cyril Wagner Jr.
Jack E. Brown

Partners. Oil, investments. Midland, Tex. Wagner: 53. Divorced, remarried; 5 children. Brown: 62. Married, 3 children. Set up Wagner & Brown Oil Properties 1962, built up vast oil production. Partnership sealed with a handshake: "We just complement each other." Diversi-

The youngest member of The Forbes Four Hundred whose fortune is self-made is William Henry Gates III, 31.

fied with Canyon Pipeline Co.: plastics, shrimp farming, etc. Joined pal T. Boone Pickens on failed Gulf takeover bid, took home $70 million profit; also backed Pickens' runs at Phillips Petroleum, Unocal. With partner, had bids for Lear Siegler rejected 1986, GenCorp 1987. Brown a studious

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planner, Wagner the dealmaker. Built futuristic office tower in Midland: "You sure wouldn't anticipate that in west Texas, where the deer and antelope play." Share fortune worth $750 million.

Jane B. Engelhard

Inheritance. Far Hills, N.J. 69. Twice widowed, 5 daughters. Father was Brazilian diplomat. Second husband Charles Engelhard Jr. (d. 1971) "Platinum King" (Engelhard Minerals & Chemicals); prototype for Goldfinger character in James Bond novels (author Ian Fleming was personal friend). He built $20 million inheritance into estimated $300 million estate; most left to wife. Jane intensely private; makes employees sign nondisclosure agreement: "Mrs. Engelhard is so rich and so grown up that she doesn't want all of that publicity." Collects rare books, manuscripts. Including trusts, controls fortune over $365 million.

Joseph Albert Albertson

Albertson's, Inc. Boise, Idaho. 81. Married, 1 daughter. Quit as Kansas Safeway store manager to open grocery in Boise 1939 with $5,000 life savings, $7,500 loan. First store featured rare popcorn machine, nickel "Big Joe" ice cream cones. Bagged groceries for customers at 1975 ceremonies celebrating first $1 billion-sales year ("I'm a little slow"). Copioneered drug-grocery store combination with L.S. Skaggs *(which see)* 1970; amicable split 1977. Boise's favorite son: "He and Richard Nixon still hold the record for the greatest attendance at Boise Chamber of Commerce programs." With 16% of Albertson's, net worth exceeds $365 million.

John William Berry Sr.

Yellow Pages. Dayton. 65. Twice divorced, remarried; 5 sons. Son of Loren M. Berry, who began selling horseradishes, then ad space for train schedules in Indiana. Moved to Dayton 1910 with $200. Talked phone companies into letting him sell directory ads, using paper of one color: dubbed "Mr. Yellow Pages." Died 1980, a Dayton legend at age 91. John Sr. took over, bought out siblings, expanded (1986 billings, over $800 million). Sold L.M. Berry Co. for estimated $335 million in BellSouth stock 1986, retired 1987. Sons John Jr. and Charles remain. Big Republican booster. Other holdings include cellular telephone, hunting supply firm. With stock portfolio, net worth at least $365 million.

Bella Wexner

The Limited, Inc. Columbus, Ohio. Mid-70s. Widowed, 2 children. Mother of Leslie Wexner *(which see)*, builder of vast women's apparel empire. After job as department store buyer, Bella opened women's clothing store with husband Harry (d. 1975). Joined son's store when specialized retailing boomed; Limited now has 2,915 stores. Bella occupies peach-colored office across hall from her son. Director, company secretary and adviser to Leslie. Supports local charities but very publicity-shy. Controls shares from Leslie worth over $365 million.

Alice Shaw Marriott
John Willard Marriott Jr.
Richard Edwin Marriott

Mother, 2 sons. Marriott Corp. Family of J. Willard Marriott Sr. (d. 1985), began root beer stand in Washington 1927, later called The Hot Shoppe. Opened first drive-in east of Mississippi. Expanded into chain, went public 1953. Opened first hotel 1957. Formed nationwide conglomerate of hotels, restaurants, in-flight catering services, airport gift shops. Bought Howard Johnson Co. 1985. Alice: Washington, D.C. 80. Widowed, 2 sons. With husband J. Willard Sr. cofounded Marriott Corp. still vice president. Active in Republican and charitable causes. Son J. Willard (Bill) Jr.: Chevy Chase, Md. 55. Married, 4 children. Became CEO 1972. Succeeded father as chairman 1985. Highly religious (Mormon), soft-spoken, family-centered man. "I have to make sure we do things right. It's my name over the door." His brother Richard: Potomac, Md. 48. Married, 4 daughters. Dick vice chairman, handles information systems, oversees Orlando TV station (11 radio stations sold 1987 for estimated $180 million), also heads restaurant division. Together the three control some 27 million shares, in addition to other assets, worth over $1.05 billion.

Richard Louis Duchossois

Manufacturing, media. Barrington, Ill. 66. Widowed; 2 daughters, 2 sons in business. After WWII Army service, joined father-in-law's small Thrall railroad equipment manufacturing firm. Anticipating railroads' decline, diversified into ord-

55 members of The Forbes Four Hundred are women.

nance work, other manufacturing as Duchossois Industries (sales over $650 million). Thrall still leading freight-car manufacturer; also owns largest maker of garage door openers in U.S. Adding 4 radio stations to current 6, plus 1 TV: "I can pay cash for whatever I want." Operates Hill 'n' Dale horse breeding farm, Arlington Park racetrack. Puts in 7-day weeks: "The harder you work, the luckier you get." Net worth at least $350 million.

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Walter Herbert Shorenstein

Real estate. San Francisco. 72. Married; 1 daughter, 1 son in business. Son of Long Island clothier, hired on as real estate salesman for Milton Meyer & Co. in San Francisco 1946 after Air Force. Named partner 1951, sole owner upon Meyer's death 1960. SF's largest commercial landlord; owns over 4 million sq. ft. offices, manages another 10 million, mostly prime "cereal box" towers. Put up $2 million equity to buy $660 million Bank of America headquarters 1985. "A buyer always pays too much, a seller always gets too little." Major Democratic fundraiser, candidates dance to his tune. Daughter Carole is Broadway producer *(Fences)*. Net worth estimated at $350 million.

Gordon Peter Getty

Inheritance. San Francisco. 53. Married, 4 sons. Fourth son of oil mogul J. Paul Getty. "Gordo" quit company 1966 after failed suit against father over dividends. Only family member at father's deathbed 1976. Sale of family trust's 40% Getty Oil to Texaco 1984 set off Pennzoil-Texaco debacle. Court order 1987 bars Gordon from acting as trustee, holds $3 billion trust in T bills. Prefers recognition as composer; penned opera *Plump Jack*, premiered in full in June, San Francisco. Wife Ann socialite hostess, publisher. With accumulated income from one-third trust, estimated worth at least $350 million *(see family)*.

Ralph Lauren

Apparel. NYC et al. 48. Married, 3 children. Born Ralph Lifshitz, Bronx, NYC; Russian immigrant father was mural painter. Army stint ("I love army clothes"), Brooks Brothers; salesman for necktie maker. First design hit: wide neckties 1967. With $50,000, started Polo Inc. 1967: "I couldn't call it Basketball." Brush with bankruptcy 1972, but grew with preppie boom: "I was always very preppie." Today his Old World styles help gross $1.3 billion, much licensed. Now retailing; opulent NYC flagship store. Benign brain tumor removed 1987. His 90% Polo, other assets, worth $350 million. "I still feel like a little boy. I don't feel like a grown-up."

Lawrence Arthur Wien

Law, real estate. NYC. 82. Widowed, 2 daughters. Son of wealthy silk manufacturer ("I am not the Horatio Alger type"), founded law firm 1929. With partners paid $8,000 for Harlem apt. house 1931. Pioneered real estate syndication 1949; funded deals for Harry Helmsley *(which see)*; duo called "the Rodgers and Hammerstein of syndication." After years of large fees from deals, able to buy largely on own account: major piece of Stevens Tower; also big chunk Empire State Building bought by Wien-led group 1961. "I'm a lawyer, not a real estate man." But fortune believed to exceed $350 million. Big giver to Columbia Univ., arts groups. Son-in-law Peter Malkin is heir apparent.

Betsey Cushing Roosevelt Whitney

Inheritance. Manhasset, N.Y. 79. Divorced, widowed; 2 children by first husband. Daughter of noted brain surgeon Harvey Cushing. Married James Roosevelt, eldest son of FDR. Frequent White House hostess; FDR's "favorite daughter-in-law." Divorced 1940. In 1942 married illustrious publisher of *New York Herald Tribune*. John Hay (Jock) Whitney (d. 1982), heir to sizable 19th-century fortune (oil, tobacco, land, railways) and onetime ambassador to Court of St. James's. Impressive art collection first exhibited to the public 1983 in National Gallery. Active in philanthropy, lives on 500-acre estate on Long Island. Believed to be worth minimum of $350 million.

Roy Michael Huffington

Oil. Houston. 69. Married, 2 children. Father killed by poison dart exploring for oil in South American jungle. Roy, with Harvard Ph.D. in geology, worked for Humble Oil

162 members of The Forbes Four Hundred control fortunes that were mostly or entirely inherited.

(now Exxon) until 1956 when he formed Huffco. Concentrated on smaller wells. Moderate success until 1968; heard Indonesian area looked like Louisiana Basin geologically. Made huge oil and gas discovery; still has 17%. Earlier oil interest sold for $40 million after bitter fight with partner. "Most people don't realize how tough the oil business is. I don't encourage anyone." With oil rebound, worth over $350 million. "In Turkey they asked my wife if I was like J.R. She said I hope to heck he isn't, I'll tell him off."

Grover Connell

Food, equipment leasing. Westfield, N.J. 69. Married; 3 children, 1 in business. After WWII Navy duty took charge of family's Connell Rice & Sugar Co. 1950 (sales, $2 million), built into nation's biggest independent broker/trader in rice and sugar. Expanded 1973 into heavy equipment leasing ($3 billion written). Combined revenues exceed $1 billion. Once dominated California rice exporting, South Korean imports. Well-wired Democrat. Charges of illegal activities

with Korean wheeler-dealer Tongsun Park dropped 1979. Developing 170-acre N.J. office park. Net worth believed to exceed $350 million. Once said, "I eat rice almost every day." Now denies.

William Shivers Morris III

Newspapers. Augusta, Ga. 53. Married, 3 children. Father William Jr. climbed from bookkeeper to sole owner of Augusta *Chronicle* in 1955. Expanded, willed to family (d. 1967). "Billy" bought out brother, sister, mother after family lawsuit 1970; founded Morris Communications. Family started its own non-competing chain, but Billy's is more profitable: now 14 dailies, 5 weeklies, *Quarter Horse News*, printing companies, one of nation's biggest billboard firms. Runs no-frills operation: managers' "massacre," editorial exodus followed purchase of Jacksonville, Fla. dailies 1982. "I only have to answer to myself and to my banker." Fortune estimated above $350 million.

Daniel Mauck Galbreath

Real estate. Columbus, Ohio. 59. Separated, 3 children. Father John, now 90, started real estate company from scratch 1921, prospered through Depression. Arranged buyouts of foreclosed properties, resold to owners in better times. Hit big with "package deals," taking tenant, builder, blueprints to bank for financing. John largely retired, Daniel now president J.W. Galbreath & Co.: manages over 25 million sq. ft. office space; equity in millions more. "The whole thrust is to build up equity for the family, to build a base for its future." Also Darby Dan horse breeding farms. Dan's daughter Lizanne works in NYC office. Estimated worth $350 million.

Stanley Irving Stahl

Real estate. NYC. 63. Divorced, remarried; 1 son, 2 stepchildren. Started as broker 1947, bought first Manhattan apartment building with saved-up commissions. Went out on a limb to build 1.7-million-sq.-ft. tower at 277 Park Avenue 1962; now Chemical Bank Bldg. Also owns other prime Manhattan offices, some 2,800 apartments, but not co-oping for now: "I just think it's too much of a hassle." Won 1977 court ruling denying apartment leases to "intelligent persons" who know law and may cause trouble. No recent purchases because "right now the competition's too keen." Half-interest in Broadway's Lunt-Fontanne theater. Net worth exceeds $350 million.

Jack Parker

Real estate. NYC, Boca Raton, Fla. 72. Married, 2 children. Son of blouse manufacturer, became lumber salesman; own company 1946; sold 1954: "I like to play tennis and golf, so I retired in my 40s. But I liked developing properties better." Three weeks later started construction company; suburban homes 1950s, then risky Parker Towers (first luxury high-rise in NYC's Queens) 1959. Expanded to Manhattan, built 2,000 apts. Gambled successfully on Hotel Parker Meridien 1981. Co-oped most apts., plowing proceeds into offices, condos NYC suburbs. Grandson Adam Glick is heir apparent. Fortune, in heirs' names, exceeds $350 million. A peer: "He's got more nerve than a lot of us do."

214 members of The Forbes Four Hundred built their fortunes without any significant inheritances.

Samuel Joseph Frankino

Agency Rent-A-Car. Palm Beach, Fla. and Pepper Pike, Ohio. 63. Divorced, remarried; 1 daughter. Small real estate fortune accumulated 1950s-60s. Modest beginnings: Insurance agent friend needed a car for a client; Sam rented him new car bought for daughter, discovered he had a business. "My daughter never did get that Impala." High utilization rate (94%), low debt keyed steady growth since founded 1969. "Really, it's an easy business." Still runs day-to-day operations: "I love my work, and I just pursue that." 31,000-car fleet, all U.S. models; nearly 500 offices in North America. Avid golfer. His 60% Agency stock, other assets worth $350 million. "My life hasn't changed."

Robert Alfred Lurie

Real estate, inheritance. San Francisco. 58. Divorced, remarried; 4 children, 2 adopted stepchildren. Son of colorful real estate, entertainment wheeler-dealer Louis, who built 300 buildings, produced Broadway hits *(South Pacific, West Side Story)*, movies *(Tarzan)*, died 1972. Empire inherited by Robert. Caretaker, not acquirer, of properties; eschews debt. Bought SF (baseball) Giants 1976: "It's not a toy, it's a full-fledged industry itself." Long-awaited domed stadium in downtown SF "not dead yet." Low-key cigar chomper, keeps hand in business by simple method: signs all checks personally. His Chicago, SF properties, incl. Mark Hopkins Hotel, worth over $350 million.

Gary Campbell Comer

Lands' End. Chicago. 59. Married, 2 children. Award-winning copywriter for Young & Rubicam 1952-62. Avid sailor, worked as salesman in sailmaking company. Competed in 1968 Olympic trials. Founded Lands' End, mail-order catalog for sailing supplies and accessories,

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1963. Small clothing section made big bucks. Focused on traditional apparel, eliminated sailing items by 1977. Company trademarks: polite operators, entertaining catalog. Comer: "I treat customers the way I want to be treated." Went public 1986. Shy, unpretentious Gary goes shoeless around the office. With Lands' End stock, other assets worth well over $350 million.

Robert Charles Joseph Edward Sabatini Guccione

Publishing. NYC. 55. Twice divorced; 5 children. Brooklyn-born accountant's son, moved to Rome to paint at 18. Freelance cartooning, writing, acting didn't pay; started *Penthouse* London 1965; brought to U.S. 1969. More pubic hair than *Playboy* fueled rapid rise. Penthouse International now 9 publications (incl. *Omni, Four Wheeler*), film and video arm, etc. No longer bankrolls son Bob Jr.'s *Spin* following feud. Also selling half-built Atlantic City hotel/casino. Plans to wed 22-year partner Kathy Keeton. Despite *Penthouse* circ. drop, still has fortune over $350 million incl. real estate, silver-lined pool, art. Father: "I had hoped someday he'd be a famous painter."

Mortimer Benjamin Zuckerman

Real estate. NYC, Washington D.C. 50. Single. Raised Montreal, son of tobacco, candy merchant. Got 2 law degrees, M.B.A. Made first $5 million at Cabot, Cabot & Forbes by age 29. Formed Boston Properties with Ed Linde 1970; also bought industrial space on own. Early Boston projects were controversial. Now controls over 10 million sq. ft. Built large office bldg. midtown NYC; long time leasing now 90% full: "It seemed idiot proof." Won $455 million bid for Coliseum site NYC with Salomon Bros. 1985; project pending. Bought ailing *Atlantic* 1980; paid $163 million for *U.S. News & World Report*, real estate 1984. Softball fanatic. Believed worth some $350 million.

Richard Wesley Snyder

Snyder General Corp. Dallas. 49. Married, 3 children. Singer Co. exec; made use of management ex

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perience, market conditions to achieve businessman's dream: buy out boss and make it your own. Climate control unit purchased for $27.5 million (all but $300,000 financed) 1982; independently appraised after deal at $83 million. Paid off debt, began to make acquisitions; value soared. Recent publicity spurred labor spat. Snyder: "I've learned a great lesson: keep a low profile." Booming sales plus increased margins in air-conditioning business suggest company worth over $350 million.

Jerome Kohlberg Jr.
Henry R. Kravis
George R. Roberts

Partners. Leveraged buyouts. Three dealmakers left Bear, Stearns & Co. 1976 to set up LBO firm Kohlberg Kravis Roberts & Co. Saw bonanza in "bootstrap" purchase of small companies with current management and borrowed capital. Stunned Wall Street with $355 million Houdaille Industries LBO 1979, then biggest public co. buyout. Latest record: Beatrice Cos. for $6.2 billion 1986. Also Safeway, Storer Communications, Union Texas Petroleum, etc.; total exceeds $30 billion. Collect 1% fee per deal, 20% of profit. Also 1.5% management fee for equity pools soon to hit $5 billion. Shrewd, discreet, all avid tennis players. Jerry: Mt. Kisco, N.Y. 62. Married, 4 children. New York-born lawyer and Harvard M.B.A., KKR "patriarch." Left KKR 1987 with son James to set up new merchant bank Kohlberg & Co., remains KKR limited partner: "I'll stick with deals where reason still prevails." Henry: NYC. 43. Divorced, remarried; 3 children. Son of oil geologist, raised in Tulsa. Collects 19th-century British art, on NYC Ballet board. Least private of bunch. On one deal: "We wanted the public to feel KKR wasn't in for the last dime and screwed them." George: San Francisco. 44. Married, 3 children. Kravis' cousin, detests NYC, runs SF office with 1982 partner, brother-in-law Robert MacDonnell who has smaller stake. Net profits so far known to exceed $345 million each—not counting expected Beatrice killings in works.

663 persons have been listed at least once in the six editions of The Forbes Four Hundred to date.

Thomas Mellon Evans

Investments. NYC. 77. Divorced, widowed, remarried; 3 children by first marriage. Graduated Yale; introduced to business by distant relative, Gulf Oil boss W.L. Mellon; career as acquirer undermanaged companies. Turnarounds include bankrupt H.K. Porter 1938, Crane Co., from 1959; more than 80 others. Relishes change in business environment: "Takeovers weren't respectable. Now they are." Resigned as head of Crane following losing battle with board and son Shel over buyout proposal T.M. favored; still controls H.K. Porter. Major holdings in Crane, Fansteel, others; horses, bonds, art. Net worth estimated at least $345 million.

Richard E. Jacobs
David H. Jacobs

Brothers. Shopping centers. Dick: Lakewood, Ohio; NYC. 62. Divorced, 3 children. Dave: Bay Village, Ohio. 66. Married, 3 children. Born, raised Akron; father sales manager for Goodyear: "Our first house was so close to the plant we could smell the rubber burning." In WWII, Dick led mortar outfit, Dave piloted blimps. After college, Dick followed Dave into real estate sales; assembled strip sites for Eddie DeBartolo *(which see)*. Met Cleveland strip builder Dominic Visconsi 1954, became partners; left Akron 1955. First big mall, Columbus' Northland, 1962. Now Jacobs, Visconsi & Jacobs is U.S.' 4th-biggest mall outfit: 40 million sq. ft. Bought out many of now-retired Visconsi's interests. Also 26 Wendy's franchises around NYC, interests in 4 Marriott hotels. Lately active in hometown: bought Erieview tower, added mall, plan more offices; bought Cleveland (baseball) Indians for $38 million 1986. Dick is driving force, dealmaker; intensely private, unpretentious: "If you met Dick for the first time, you wouldn't know he had a quarter." Dave handles architecture, construction; active in charities, church. Dick's share of fortune exceeds $345 million. Dave's portion more than $245 million.

William Wrigley

Chewing gum. Lake Geneva, Wis. and Chicago. 54. Twice divorced, remarried; 2 sons, 1 daughter. Grandson of William Wrigley Jr., enthusiastic salesman arrived Chicago 1891 with $32. Sold baking soda with premium: free chewing gum. Discovered gum sold better. Pioneered retail incentives for merchants (lamps, scales, razors). Introduced Wrigley's Spearmint, Juicy Fruit, Doublemint. Now world's largest manufacturer. William president; strength is marketing. Raises Arabian horses. Sold Chicago Cubs 1981 to pay parent's estate taxes. With Wrigley stock, other assets worth $345 million. "Basically gum is an adult pacifier."

Philip Hampson Knight

Nike, Inc. Hillsboro, Ore. 49. Married, 2 sons. Ran track at U. of Oregon. MBA Stanford, 1962. Worked as Price Waterhouse CPA by day, sneaker salesman at night. Founded Blue Ribbon Sports in 1963 with college track coach, Bill Bowerman. Imported Onitsuka Tiger sneakers from Japan until 1972 conflict with supplier: "You could say they go

greedy." Developed own; adopted "word-of-foot" policy, convincing Olympic marathoners to wear Nikes. Competition from rival Reebok stiff, but "if you really want to have a headache, be a dress shoe company." Hopes to market sneakers in China ("We're talking 2 billion feet"). Stock and other holdings worth $345 million.

William Arthur Fickling Jr.

Charter Medical Corp. Macon, Ga. 55. Married, 4 children. All-American guy: wife 1953 Miss America; 6-foot-4 Bill high school honor student, All-State in basketball, track. Attended Auburn on basketball scholarship; graduated cum laude 1954. After Air Force hitch as guided missile officer worked for father's real estate firm buying, selling nursing homes. Spun off Charter Medical 1969 to manage firm's 10 nursing homes; switched aggressively to hospitals, now owns or manages 83, most psychiatric. Also manages military health facilities in Abu Dhabi, United Arab Emirates. Hunts, plays golf, tennis. His Charter Medical stock worth $340 million.

James R. Cargill
Margaret Cargill

Inheritance. Brother and sister. Cargill, Inc. Grandchildren of William W. Cargill (d. 1909), founder of food-processing giant *(see Cargill/MacMillan family; also individual MacMillans, Keinath, Pictet)*. James: Minneapolis. 64. Married, 3 children. With company since 1947, now senior v.p., director. Said to concentrate on personal business affairs, e.g., has small real estate venture, Dinnaken Properties. Planning to build Univ. of Minnesota dorm even though university official informed DP that "enrollment was projected to drop drastically in the next five years." Expert trout fisherman. Margaret: La Jolla, Calif. 67. Extremely private. Little known. Together, thought to own their family branch's 25% Cargill stock, worth at least $670 million.

James Landon Knight

Knight-Ridder, Inc. Bal Harbour, Fla. 78. Widowed, remarried; 4 daughters. Set type on father's *Ak-*

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ron Beacon Journal at 12; at 21 inherited two dailies, much debt with older brother John, who ran editorial side (d. 1981). James, long in shadow, handled business "nuts and bolts." Pair believed in big-city newspapering, bought *Miami Herald* 1937, *Detroit Free Press* 1940, *Philadelphia Inquirer* and *Daily News* 1969. Took public 1969, merged with Ridder family papers 1974, moved into broadcasting, cable. Knight-Ridder (revenues, $1.9 billion) now 33 dailies, 8 TV stations. Bulk of John's estate in foundation. James still a director; 9.6% Knight-Ridder stake, other holdings worth $335 million.

John Hammond Krehbiel Jr.

Molex, Inc. Downers Grove, Ill. 81. Father Fred invented Molex plastic by mixing coal tar pitch, asbestos fiber residues. John Sr. joined at outset 1938; president 1957. Made consumer items (flower pots, toy guns, clock cases) then electrical components. Most sales overseas; 21 foreign plants. John Jr. is now president, brother Fred is head of international operations. "When my two sons were learning the business, I kicked their asses all over the place." Grandson "Pete" worked one summer for nickel less than lowest-paid employee. Promotes from within; in-house management programs staffed by Harvard Business School professors. Krehbiel controls over 6 million shares worth over $335 million.

Samuel Zell

Robert Harris Lurie

Partners. Real estate, investments. Chicago. U. of Mich. fraternity brothers, anticipating inflation, bought distressed Sunbelt then Midwest properties in 1970s, rehabbed for fraction of new construction cost; sold some for big gains, picked up more. Now control estimated 25,000 apartments nationwide, 15.6 million sq. ft. shopping centers. Sam (the Gravedancer): 45. Married, 3 children. Son of Polish immigrants, peddled *Playboy* in grade school for 200% profit. Iconoclastic, confrontational; prefers denim to pinstripe. Robert ("a Woody Allen look-alike"): 45. Married, 6 children. Bob crunches numbers while Sam cuts deals: "I don't do anything without him, and vice versa." Focused scavenging tactics on industrial boneyard: took control Itel Corp., Great American Management & Investment; used tax-loss carryforwards in further buys. "It's the classic scenario of how to make one plus one equal three." Partners share fortune believed at least $660 million.

Miller Nichols

Real estate. Prairie Village, Kans. 76. Widowed, remarried; 4 children, 2 stepchildren. Father J.C. Nichols began buying land in Kansas City 1904. Foresaw advent of car age: developed idyllic communities with provisions for garages and filling stations. Built 55-acre Country Club Plaza, first suburban shopping center, 1922. Son Miller CEO 1950. Major holdings in KC, Des Moines, St. Louis, Fla. Took firm private in 1984. Known as staunch conservative. Banned break-dancing from shopping center spurring cries of racism. But "He's like the 500-pound gorilla, he sits anywhere he wants to." Owns some 67% of J.C. Nichols Co., other assets, worth over $325 million.

14 states have no residents who are members of The Forbes Four Hundred.

Sol Price

The Price Co. La Jolla, Calif. 71. Married, 2 sons. Practiced law 1[illegible] years; quit 1955 to launch The Fed Mart Corp., mass merchandiser/supermarkets; pioneered house brands, "one-stop shopping." Sold out to Hugo Mann, German retailer. Fired by new management started new company with son Robert. Nation's largest retail warehouse "club," sells merchandise to "members" at wholesale. Known for no-frills atmosphere, warehouse store in low-profile area, no advertising, no shopping bags, no extended hours. Profits surge. Chairman Sol's 10% stock, other assets, worth $325 million.

Virginia McKnight Binger

Inheritance. Wayzata, Minn. and NYC. 71. Married, 3 children. Only child of William McKnight, South Dakota boy who became key executive in fledgling sandpaper company, now industry giant Minnesota Mining & Manufacturing. Died 1978; left $500 million, $340 million to humanities foundation now run by Virginia *(see also Ordway)*. Husband James, 71, rose to head Honeywell, Inc; now retired, runs family's 5 Broadway Jujamcyn Theaters, handles family investments. Considering sale of family's top-flight Tartan horse farms in Ocala, Fla. ("That was Mr. McKnight's thing"); estimated proceeds: $60 million. With 3M stock, other assets, worth at least $325 million.

Malcolm Austin Borg

Publishing, TV broadcasting, inheritance. Englewood and Spring Lake, N.J. 49. Married; 2 sons, 1 daughter. Grandson of prosperous Wall Street stockbroker who bought into *Bergen* (N.J.) *Record*; wholly owned by family since 1930. Transformed by father Donald from small county daily to suburban powerhouse; Malcolm took reins 1971, bought out brother Gregory 1982. One of nation's most profitable dailies, union-free. Umbrella Macromedia Inc. also owns 4 TV stations. Keeps 10 TV sets at home, no VCR. Civic-minded, driven. "If all I ever have is

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what I have now, then I'm happy." Through various family trusts, controls fortune estimated minimum $325 million.

Robert Einar Petersen

Publishing. Beverly Hills. 60. Married, childless. Father auto mechanic; mother died when "Pete" was young. Supported self by bagging groceries, pumping gas. Arrived LA 1944, worked as messenger, publicist for MGM. Car-racing buff, put out first *Hot Rod* 1947 in garage with partner, $400; hawked at drag strips. "I didn't even know what publishing was." Bought out partner 1950; built family of magazines for enthusiasts. Petersen Publishing now 12 monthlies *(Motor Trend, Guns & Ammo, Teen)*; other special-interest publications. Wed Miss Rheingold (beer) of 1957. Also owns real estate, Rodeo Dr. art gallery. Net worth at least $325 million.

The metropolitan areas with most resident members of The Forbes Four Hundred are:
New York City 80
Los Angeles 31
Chicago 22
Dallas/Ft.Worth 19
San Francisco 19
Washington, D.C. 13
Wilmington 11
Boston 10
Minneapolis 9
Detroit 8
Houston 8
Seattle 8

William Gordon Bennett
William Norman Pennington

Partners. Circus Circus. Bennett: Las Vegas. 62. Pennington: Reno, 64. Both married with 2 children. Bennett managed properties for Del Webb; Pennington ran electronic gaming business. Incorporated Western Equities Co. 1971, distributing slot machines. Purchased ailing Circus Circus in 1974. Showed profit within 2 months. Caters to middle-class customers: inexpensive rooms, meals; live circus acts. Occupancy 100%. Expanding into Laughlin, Nev.: Colorado Belle complex in shape of river boat. "We are not in the gambling business. Ours is a retailing business." Ex-Navy fighter pilot Bennett: "I don't know what I'd do if I retired. This is fun." Each has over 25% of stock, worth $325 million.

Lewis Robert Wasserman

MCA, Inc. Palm Springs and Beverly Hills. 74. Married, 1 daughter. Night club manager/movie usher joined big band booking agency Music Corp. of America 1936; became president 1946 at 33. Handled Hollywood greats Jimmy Stewart, Alfred Hitchcock; also not-so-great Ronald Reagan. Acquired Universal Studios 1962; dropped talent agency business after government antitrust suit: "It was a useless, unwarranted act." MCA now diversified entertainment co.: TV, films, records, book publishing, etc. "Wasserman's the best dealmaker in town, bar none." Underwent June colon surgery; now back at work, but illness spurred takeover speculation. His 7% MCA alone worth $325 million.

Sydney Mark Taper

First Charter Financial Corp. Beverly Hills. 85. Widowed, 3 children. Born in Warsaw Christmas Day, educated in England. Peddled candy to classmates, real estate to British during Depression. Home builder, real estate broker 1930s; "retired" 1938, moved to Calif. to avoid war. Built GI housing, bought S&Ls, tapped vet market; founded First Charter Corp. 1955. Tough boss, revolving door management (one president lasted 10 weeks); cheap: "In England, we despised waste." Merged with Financial Corp. of America 1983; his share $285 million. With investments, should be worth $320 million. "However much he's worth, he's still got the original dime."

Patrick Joseph McGovern

Publishing. Nashua, N.H. 50. Divorced, remarried; 2 children. Son of Philadelphia constuction manager; 10th grade computer nut. Studied neurophysiology, edited computer magazine at MIT. Started International Data Group 1964 to collect computer market data. IDG now 93 publications, 30 countries (revenues $250 million). Flagship is *Computerworld* (circ. 128,000), one of nation's largest trades. Says will sell 51% of firm to employees when sales $1 billion. Wife Lore Harp marketing device to permit female urination standing up. Pat putting millions into Asian venture capital. "I enjoy starting new things." His 80% IDG, investments estimated worth $320 million.

Ernest Melvin Fleischer

Franklin Savings Assoc. Kansas City, Mo. 54. Married, 2 children. Specialized in bank and thrift tax law. Bought into small thrift 1967, now part of Franklin. FSA in risky markets: junk bonds, financial futures, mortgage-backed securities. Considerable expertise needed to stay afloat; "I try to stay out of the way of the people actually doing the work." Annual return on equity ranged from 62% to 98% since 1983. Time and money concentrated in firm. "I believe that I should not have any other investment. If there is a problem at Franklin, I should seek to fix it, rather than diversify away from it." Initial $25,000 investment now worth over $320 million.

Arthur Charles Nielsen Jr.

A.C. Nielsen Co. Winnetka, Ill. 68. Married, 3 children. Nielsen Sr. (d. 1980) founded market survey company 1923. Pioneered electronic meters to measure radio, television audiences 1940s. Today conducts extensive monitoring of TV, also retail activity. Nielsen sold company to Dun & Bradstreet, 1984; retained as director and consultant. "It's very hard, psychologically, to let go. I'm like an old firehorse. If you hear the gong, you come running out of the barn." Workaholic, compulsive problem solver, tennis fanatic. "I can name you 20 problems yet unsolved," e.g., people meters. Family's D&B shares worth $315 million.

Norman E. Alexander

Printing ink. Scarsdale, N.Y. 73. Married, 4 children. Grew up in South Bronx, son of spats manufacturer. Columbia law degree, never practiced; entered family business, which had switched to leggings. Got into film distribution, sold at profit; bought printing pigments firm, sold to Sun Chemical (major producer printing inks) 1957, became CEO, kept acquiring Sun stock. Several takeover attempts before successful Chromalloy acquisition. Sold graphic arts materials division to Dainippon 1986; renamed Sequa Corp. 1987. Owns Ampacet (smallish plastics company, Mount Vernon, N.Y.). His 67% Sequa, after debt; Ampacet, etc., worth at least $315 million.

Craig O. McCaw

Bruce R. McCaw

John Elroy McCaw Jr.

Keith W. McCaw

Brothers. McCaw Cellular Communications, Inc. Seattle. Sons of John Elroy McCaw who acquired radio station in Centralia, Wash. 1937. Expanded, acquired WINS New York, KYA San Francisco (both later sold). Also TV stations, cable pioneer 1950s. Died 1969. Craig: 38. Married, no children. Took active role in co. while at Stanford late 1960s; foresaw coming cellular technology. Steered family business into cellular telephones, radio common carriers (paging) 1970s. McCaw now largest U.S. cellular telephone co. (FCC licenses for 94 markets with 37 million pop.): "the AT&T of the cellular business." Pushed to sell cable interests to Jack Kent Cooke *(which see)* for $755 million. Chairman Craig considered industry genius: "If Craig made it, it was the right decision." Brothers (all vice presidents): Bruce. 41. Single. John. 36. Married, 3 children. Keith. 34. Married, childless. Three brothers licensed pilots. As kids worked summers installing cable, selling subscriptions. After recent McCaw public offering, 4 brothers share company stock worth $1.26 billion.

Floyd Dewey Gottwald Jr.

Bruce Cobb Gottwald

Ethyl Corp. Richmond, Va. Sons of Floyd Gottwald Sr. (d. 1982), who joined Ethyl predecessor Albemarle Paper Mfg. Co. 1918 as office clerk; became president of blotter paper maker 1941. Bought out Ethyl Corp. 1962; sold Albemarle unit 1968 for $55 million. Primary product TEL, antiknock gas additive, outlawed by federal lead-content laws; last U.S. plant closed 1985. Through acquisitions Ethyl Corp. prospering anyway (1986 revenues, $2.2 billion). Now in plastic, aluminum products, industrial chemicals, insurance, etc. Floyd Jr.: 65. Married, 3 sons. Chairman 1968, CEO 1970. Private, austere; jogs, fishes. Bruce: 54. Married, 3 sons. President since 1969. Brothers keep tight grip on Ethyl: "They treat the company like it's their own, and it is." Combined 18% Ethyl Corp. worth $620 million.

Albert B. Alkek

Oil. Victoria, Tex. 76. Married; 1 son, 1 daughter. Borrowed $250 from rancher-father to try luck in up-and-coming oilfields. First well 1939. Met mentor-patron Harry F. Sinclair (founder Sinclair Oil) 1941; merged, became Sinclair-Alkek 1948. Bought out Sinclair 1952.

The states with the largest concentrations of members of The Forbes Four Hundred are:
New York 78
California 62
Texas 33
Illinois 24
Florida 19

Since 1965 annual volume of Alkek's personal stock market trades $75 million; total invested over $125 million, much in oil cos. Biggest individual giver Methodist Hospital, Houston. Private; oil investments through other operators. Owns 30,000-acre Flying A Ranch with 200-foot-wide waterfall, imports exotic animals. Estimated net worth: above $310 million.

Norton Clapp

Inheritance. Seattle. 81. Married 4 times; 6 sons (3 deceased), 5 stepchildren. Grandson of Matthew G. Norton, one founder Weyerhaeuser Co. Grandnephew of another, James L. The Nortons shared in some 200 Weyerhaeuser companies around turn of century. Father Eben P. Clapp married the daughters of Matthew and James, in turn. Norton Clapp now double-dipper heir. Enlisted Navy, 1942; University of Chicago. Practiced law in Tacoma for over a decade. President Weyerhaeuser, 1960-66, chairman until retirement 1976. Still regarded as reclusive power in Northwest. With almost $100 million in real

The Issue of Security and Guarding the Bottom Line From One CEO to Anoth

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estate equity, personal investments and share of family trust, net worth certainly above $300 million, maybe far above.

Charles Allen Jr.

Herbert Allen

Herbert Anthony Allen

Stock market, real estate. NYC. Charles: 84. Divorced, remarried; 3 children by first marriage. Brother Herbert: 79. Widowed, remarried; 1 daughter, 1 son. Charlie reared in Manhattan cold-water flat, quit high school at 15, started bond-trading at 19 with $1,000, 2 phones. Brought in Herb 1928. Made first million, lost in Crash. Herb's deft Depression trading kept Allen & Co. going. Since 1930s, their bets on unlikely firms paid off in spades: Herb (now semiretired) put $3 million in Benguet Mining, later yielded over $45 million; Charlie's $1 million in Syntex 1958 now worth about $350 million. Invested heavily in Chicago, Kansas City real estate with late Arthur Rubloff. "We never had anything in writing." Charlie's investment record almost without equal: "I have hunches." Herb's son Herbert Anthony: 46. Divorced, remarried; 4 children. Joined firm 1962; defied father's advice buying 6% Columbia Pictures 1973; raked in $40 million on 1982 sale to Coca-Cola. Expanded into underwriting (incl. $1.6 billion Coca-Cola Enterprises), investment banking (steady client: Rupert Murdoch, *which see*). Allen & Co. still secretive, but active. In 1987: joined $293 million Research-Cottrell LBO. Family donated $15 million to NYC's Columbia-Presbyterian Hospital. With stakes in over 200 cos., real estate, shared fortune well over $900 million.

Fayez Shalaby Sarofim

Money management. Houston. 58. Married; 1 son, 1 daughter. Egyptian-born son of wealthy landowner; Harvard Business grad. Naturalized 1961. Wife niece of Brown & Root cofounder George Brown. Joined Anderson, Clayton finance dept. 1951. Launched Fayez Sarofim & Co. 1958 with father's $100,000. Owlish, ever-bullish, made name spotting oil-patch bargains; managed $1.2 billion assets 1969, $15 billion now. Old pal Ar-

thur Rock *(which see)*: "He has an uncanny knack of finding something good early and staying with it." His 72% of firm, stakes in Teledyne, Pennzoil, etc. worth $300 million. "It takes someone from abroad to recognize true potential."

Donald Michael Koll

Real estate. Newport Beach, Calif. 54. Married; 5 daughters, 1 son. LA native, Air Force jet pilot. Started in cousin's homebuilding business, struck out on own to build custom homes 1962. Soon switched to commercial projects. Got Aetna to finance huge business park on Irvine Ranch land 1968. Strong growth fueled by institutional partners; Koll Co. keeps half equity, split between Don, his execs. Now largest West Coast-based developer: controls 25 million sq. ft. offices, industrial parks from Seattle to Phoenix; one-third of it in Orange County. Low-key, modest: "People make too much of the guy at the top as some sort of wizard." Net worth well over $300 million.

Seymour B. Durst

Royal H. Durst

David M. Durst

Brothers. Real estate. Father Joseph, Austrian immigrant 1902, was a banker who started real estate firm 1915 to manage handful of NYC tenements (d. 1974). Sons shifted to midtown office buildings; assembled properties, pioneered Third Avenue offices 1950s, Sixth Avenue mid-1960s. Durst Organization controls about 4.5 million sq. ft. plus nearly 300,000 sq. ft. land around Times Square redevelopment (Seymour: "I'm not old—I look this way because I tried to develop on the West Side"). Seymour: NYC. 74. Widowed, 4 children. Leading force among brothers—land assembler, urban historian, persistent gadfly NYC zoning, housing controls: "New York builds bureaucracy, not housing. Bureaucracy is more profitable." Royal: Westchester Co., N.Y. 68. Married, 3 children. Handles management, construction, leasing. David: Chappaqua, N.Y. 62. Married, 5 children. Oversees design, engineering, some leasing. Next generation cutting teeth on midtown rental apts. Brothers share fortune well over $900 million; sister Alma has passive interest.

Among The Forbes Four Hundred, the average resident of New York State was worth $579 million; of California, $455 million (of Arkansas, $1.46 billion).

Alexis Felix du Pont Jr.

Alice Francis du Pont Mills

Helena Allaire Crozer du Pont

Brother, sister, sister-in-law of A. Felix du Pont, distant cousin Pierre, sided with him in family split 1915 *(see other du Ponts, family)*, rewarded with stake in family holding company Christiana Securities. A. Felix Jr.: Wilmington, Del. 81. Divorced, remarried; 3 children by first wife, 1 by second. Son, Michael, charged, sentenced to 358 days prison; wife Peggy, 179 days, for investment scam through Du Pont Energy Control: Promised "miracle" products, energy-saving devices. Part of sentence included restitution of funds to investors from Michael's trust income—aftertax. Alice (Mrs. James Paul Mills): Middleburg, Va. 74. Married, 3 children. Brother, sister believed worth about $300 million each. H. Allaire: Chesapeake City, Md. 74. Widowed, 2 children. Husband Richard Chichester du Pont noted pilot killed in WWII glider crash. Successful horse breeder; among first women admitted to Jockey Club, 1983. With children, shares husband's inheritance, also believed about $300 million.

Merwyn Edward Griffin

Television. Beverly Hills et al. 62. Divorced, 1 son. As vocalist with Freddy Martin's Orch., had #1 hit: "I've Got a Lovely Bunch of Coconuts" 1950. Brief stints Warner Bros., Broadway; first hosting job: religious program *Look Up and Live* 1958; also game shows. *Merv Griffin Show* ran 1961-86. Started production co. 1962; first big hit: *Jeopardy!* Playing Hangman with sister on car trips inspired *Wheel of Fortune* 1973, most lucrative game show ever; Merv still concocts some puzzles. Sold out to Coca-Cola for $250-million-plus 1986. Still has radio stations, closed-circuit interests, real estate. Worth more than $300 million. "I am a thick blotter of mostly useless information."

Seymour Milstein

Paul Milstein

Brothers. Real estate, investments. NYC and Scarsdale, N.Y. Seymour: 67. Married, 2 children. Paul: 65. Married, 4 children. After WWII, Paul joined father Morris' Circle Floor Co., put floors in Rockefeller Center, U.N., etc. Seymour headed floor-tile outfit. Both companies sold 1960s; brothers then ousted in bitter boardroom struggles. Returned to corporate fray: bought into, ran United Brands 1975-84. First big real estate venture: apartment towers near Lincoln Center, early 1960s. Own refurbished Milford Plaza Hotel in theater district. Duped preservationists, reneged on agreement, trashed Biltmore Hotel's famed Palm Court to make way for office tower 1981. Embroiled in many lawsuits with city

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over not being picked for public projects. Currently NYC's most active residential builders: 4,000 units on tap. Took over $3.4 billion Emigrant Savings Bank 1986. Froggy-voiced Paul is leading force; more polished Seymour the financial whiz. Paul on business philosophy: "We live in a jungle." With families, joint fortune estimated at well over $600 million.

Bernard H. Mendik

Real estate. NYC. 58. Divorced, remarried; 3 children by first wife, 1 son by second. Born Glasgow, raised poor in South Bronx. Into real estate with law school chum, now ex-brother-in-law, Larry Silverstein *(which see)*, 1957; split 1977, still partners some bldgs. On own, bought and upgraded office properties for institutions; now controls over 12 million sq. ft., much around NYC's Penn Station. Paid $480 million for 6,200 NYC-area apts. with co-oper Marty Raynes 1985, conversion going well: "This is a home run." Raised over $200 million through E.F. Hutton fund to buy offices. Worth more than $300 million. "I make it a rule never to fall in love with any building."

William Alvin (Tex) Moncrief Jr.

Oil. Fort Worth. 67. Married, 4 sons. Only son of legendary W.A. (Monty) Moncrief, World War I fighter pilot who left Conoco forerunner in 1927. After 4 years of dry holes, hit big in northernmost extension of vast east Texas oil field. Monty's investors in 1940s and 1950s included golf buddies Bing Crosby and Bob Hope. Active until death in 1986, age 90. Son W.A. Jr. (Tex) working in business since 1945. Oil and gas reserves in Tex., La., N.M., Wyo. and Fla. Busy? "Still drilling and looking for a little oil and gas." Still working hard? "I'm working harder." Mother Elizabeth, 89, officially inherited holdings, but Tex controls reserves and other assets worth more than $300 million.

Ruth Chandler von Platen

Times Mirror Co. San Marino, Calif. 89. Thrice widowed, remarried; 3 children, several stepchildren. Last surviving child (of 8) of Harry Chandler, S. California media and real estate empire builder *(see family)*. Died 1944, assets split among 7 living children. Ruth (Mrs. Karl G. von Platen) willful, conservative: lost fight to keep brother Norman from taking *L.A. Times* public, first family-owned paper to do so. "I don't want to be a dog in a manger." Second husband J.G. Boswell left her 11% of J.G. Boswell Co., largest U.S. cotton producer; since sold off stake. Including roughly 4.7% Times Mirror stock (in trusts), net worth believed at least $300 million.

Thomas Stephen Monaghan

Pizza. Ann Arbor, Mich. 50. Married, 4 daughters. Fatherless at 4, raised in orphanages: "It was like a prison." Thrown out of seminary

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school for pillow fights, etc. Sold vegetables, fish door-to-door. Read self-help books in Marines. Borrowed $500 to buy pizzeria in Ypsilanti, Mich. with brother 1960; traded VW for brother's share 1961. Today, delivery-only Domino's is second-biggest pizza chain: 4,000 stores, $1.4 billion systemwide sales. Bought Detroit Tigers for $53 million 1983. Collects Frank Lloyd Wright objects, classic cars. With 97% Domino's, worth more than $300 million. "Personally, I miss making pizzas. Sometimes my fingers itch to slap out dough."

Harry Howard Hoiles

Mary Jane Hoiles Hardie

Brother and sister. Freedom Newspapers. Surviving children of Raymond Cyrus Hoiles, shrewd Ohio man who started buying newspapers 1920s, *Santa Ana Register* 1935. Used papers to spread libertarian philosophy: opposed taxes, public police, etc. Three children inherited upon father's death 1970. Son Clarence *(see family)* headed until 1981 death. Succession dispute ensued. Harry: Santa Ana, Calif. 71. Married, 3 children. Longtime publisher *Colorado Springs Gazette Telegraph*, sued for control 1982, pending; offer to buy outright for $1.01 billion 1985 rejected. Mary Jane: Marysville, Calif. 65. Married, 4 children. Husband Robert C. Hardie, Freedom chairman, and other relatives unwilling to split up still-libertarian chain's 29 dailies (including flagship *Orange County Register*), 3 weeklies, 5 TV stations. Harry: "New management would not necessarily be better, but it would be more honest." Each holds one-third interest in company worth over $900 million.

Among the members of the Forbes Four Hundred, the estimated average net worth of those who have been divorced is at least $610 million; of those never divorced, at least $525 million.

Ronald Owen Perelman

Leveraged buyouts. NYC. 44. Divorced, remarried; 4 children. Held first board seat in grade school (at father's metal fabricating firm), continued there after Wharton. Borrowed $1.9 million 1978 for 40% of jewelry store operator. Turned into $4.4 billion empire (MacAndrews & Forbes Holdings) with speculative formula: Buy firms with undervalued assets, sell losers but keep cash-flow generators, pick strong managers, use junk leverage to buy or control still bigger companies (latest 2: Pantry Pride, Revlon). Doggedly pursuing Gillette. Every original $1 of his own controls $2,300 of other people's money. With profit from Drexel Burnham-managed restructuring of Revlon Group, net worth believed to exceed $300 million.

Gertrude Ramsay Crain

Publishing. Chicago, Ill. 76. Widowed, 2 sons. Husband G.D. Crain Jr. (d. 1973) founded Crain Communications 1916; first publication: *Hospital Management*. Started flagship *Advertising Age* 1930; expanded through startups, now over 20 trade consumer and business publications *(AutoWeek, American Drycleaner, Rubber & Plastics News)*. Also local business papers in Chicago, Cleveland, Detroit. New York business weekly launched 1985; bought, folded competitor, now "on budget" but still losing money. Sons, "Citizens Crain," help run co.: Rance, 49, president; Keith, 46, vice chairman; Gertrude remains chairman: "What she says, goes." Net worth at least $300 million

David Theodore Chase

Real estate, media, investments, insurance. West Hartford, Conn. 58. Married, 2 children. Born David Ciesla in Poland; survived Holocaust; lost parents, sister to Nazis. Arrived U.S. 1946, spoke six languages. Worked as door-to-door salesman; then, small-time contractor. Early project: a temple with monument in honor of parents. "You never erase the scars, but it hasn't held me back." Developed shopping centers early 1960s, Hartford office tower 1972, other offices early 1980s; diversified into 6 radio and 2 TV stations, cellular radio, bank, large stock portfolio. Moving into insurance; acquired Houston's Ranger Co., 1986. Daughter Cheryl chief counsel, son-in-law Roger Freedman exec. v.p. Son Arnold runs TV and radio. Upward of $100 million spun off to each child; David's retained net worth estimated at least $300 million.

Pierre Samuel du Pont III

Edith du Pont Pearson

Willis Harrington du Pont

Inheritance. Surviving children of Lammot du Pont (brother and key associate of Pierre), president Du Pont Company 1926-40, chairman 1940-48; d. 1952 *(see various du Ponts, family)*. Pierre III (Big Pete): Rockland, Del. 76. Widowed, 3 children, including Pierre IV, 52, governor Delaware 1977-85, now Republican presidential hopeful, swinging from moderately liberal to conservative view. Edith (Mrs. George Burton Pearson Jr.): Montchanin, Del. 75. Widowed, remarried; 5 children by first marriage. Husband is a retired Delaware judge. Willis: Palm Beach, Fla. 51. Married, 3 children; son of Lam-

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ook $352 million and ten years. And when chief engineer ge W. Goethals watched the first ship steam through the Allendale had been setting a steady course for 79 years. fact, former Allendale president John R. Freeman, him- engineer, served as consultant during the construction canal.

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mot's fourth wife (other siblings by first). Citrus, cattle, banking investments Florida. All three are believed to share equally in father's estate, along with offspring of deceased siblings. Pierre's share lightened by his movie-backing losses. Combined fortune believed to exceed $900 million.

Maurice Raymond (Hank) Greenberg

American International Group. NYC. 62. Married, 4 children. Left high school to join Army WWII, University of Miami 1948, NY Law School 1950 on GI Bill. Entered insurance business at chance interview; interview went badly; Greenberg went to higher execs, hired on the spot. President and CEO, AIG, 1967. AIG started in Shanghai 1923 by Cornelius Starr. Went public 1969, currently in over 130 countries, 1986 revenues over $8.8 billion. Renowned as tough boss who expects results. Fortune must well exceed his AIG holdings worth over $300 million.

Alfred Mack Pogue

Real estate. Dallas. 53. Married, 3 children. Former high school football coach from Sulphur Springs, Tex. Became real estate broker, teamed with Trammell Crow *(which see)* on Lincoln's birthday 1965, built garden apts. Bought out Crow's interest for $150 million 1977, diversified into commercial property. Today, Lincoln Property Co. is number two U.S. diversified developer, approx. $5 billion assets. Abides by "Pogue's chicken formula": Give up equity, put up no cash. "The only way you can lose money is if you spend it." Lincoln has curtailed construction in overbuilt markets, but Mack is still eager: "I don't want to be slowed down." Worth more than $300 million.

Howard Brighton Keck

Superior Oil Co. Los Angeles. 74. Married; 4 children. Father William M. Keck Sr. came to Texas 1901 during great Spindletop oil boom. Legendary wildcatter said to taste-test drilling core samples; founded Superior Oil Co. 1921. Pioneered offshore drilling Venezuela, Gulf of Mexico. Sons William Jr. (d. 1982), Howard grew up rivals; father chose Howard as successor after failed attempt to sell co. 1959. Howard Superior CEO until 1981; diversified into mining, farming, timber. Forced off board during 1983 family feud with sister Willametta Keck Day (d. 1985). Now runs $650 million Keck Foundation; owns horses (1986 Kentucky Derby winner Ferdinand). Superior Oil bought by Mobil 1984 for $5.7 billion. William Jr.'s share inherited by William II *(see Dropouts)*; Howard's share now worth $300 million.

Abraham Spiegel

Columbia Savings & Loan, real estate. Beverly Hills. 81. Married; 1 son, 1 daughter. Czechoslovakia-born survivor of 2 Nazi camps, arrived New York City 1947. Headed west after 10 days; started liquor distributorship, failed. Succeeded as builder: 10,000 homes in San Fernando Valley, Orange County. Also controlled, sold 2 S&Ls; bought forerunner Columbia 1974, named chairman 1976. Politically influential, heavy donor to Jewish causes; armed guards at exec. offices. Son Thomas, 41, president, led earnings growth buying Drexel Burnham junk bonds. Tom's 1986 compensation: $3.9 million. Abe and family's 53% (fully diluted) of Columbia, real estate believed far over $300 million.

21 members of The Forbes Four Hundred are immigrants.

James Emmett Evans

Citrus. Dade City, Fla. and Highlands, N.C. 87. Widowed; remarried, divorced; 1 son, 1 daughter. Former Ford dealer packed suitcase into Model T, headed to Florida, bought first orange grove 1925. Now over 20,000 acres productive orange groves; also grapefruit: "I can make more money in grapefruit since Texas froze." Slick dealer, "The Wheel" spends 6 months a year at Highlands, N.C. "playhouse"; plays gin rummy with old buddies: "They love it 'cause I feed 'em lunch." Second marriage lasted 3 months 1986; says he's not ready for third try: "I told my kids they wouldn't have to worry for this summer at least." Net worth estimated at least $300 million.

Albert Lee Ueltschi

FlightSafety International, Inc. Greenwich, Conn. 70. Widower, 4 children. "Barnstorming" pilot 1930s, Pan Am pilot WWII, started flight instruction firm 1951; mortgaged home to buy first simulator 1954. Today trains over 26,000 pilots at 30 "learning centers" around U.S. Expanding into marine operations, training 1,200 Naval officers a year. Actively involved in Project Orbis, flying eye surgery hospital. Ueltschi's outlook is "bullish." "I'm just getting started. I've never had so much fun." With family, owns some 7.9 million shares worth $300 million.

Marian Uldine Day Smith

Inheritance, real estate. Atlanta, Ga. 53. Widowed, remarried; 5 children. First husband Cecil B. Day, son of Baptist minister, residential developer, saw need for budget motels with amenities during road trips with kids. Built first Days Inn

motel 1970; by Cecil's death 1978 at 44, of cancer) had 40,000 rooms. "He never did want to be in hotels." Wife "Deen" pared older rooms, expanded to 45,000. Sold to Saul Steinberg *(which see)* 1984 for $615 million; proceeds (after debt) and recent sale of last three Fla. hotels, plus other assets, worth over $300 million. Environmentalist, Baptist: "I want to use the assets for His glory. We're straitlaced but not right-wingers."

George Soros

Money manager. NYC, Long Island. 56. Divorced, remarried; 4 children. Born Budapest; London School of Economics grades not good enough to make professor, emigrated to U.S. 1956. Currency trader, stock analyst; started Curaçao-based Quantum Fund for foreign investors 1973. Hit for fences: shorted Avon at 120. Now manages $2 billion, some 19% his. Hobnobs with finance ministers in 5 languages. Dubbed "world's greatest money manager": 16,300% return on investments since 1969. "We start with the assumption that the stock market is always wrong. If you copy everybody else, you're doomed to do poorly." Lately one-third of Quantum is in 19 of 30 DJIA stocks. Soros worth far over $300 million.

Among members of the Forbes Four Hundred, those whose fortunes are primarily inherited have an average estimated net worth of at least $580 million.
Those whose fortunes include little or no inheritance average at least $525 million.

Leonard Maximilian Marx

Real estate. Scarsdale, N.Y. 83. Married, 3 children. After Yale 1925, became broker, located properties for chain stores. Expanded to shopping centers. Now owns "several hundred problem centers," mostly strip malls, nationwide. Bought venerable Cross County Center, Yonkers, N.Y. 1968: "It's the mother of all malls." Wheels and deals: "We're allergic to vacancies." Also midtown office properties NYC; some deals with pal Charlie Benenson *(see Dropouts)*. Still building strips: "We've always got one going. It keeps us out of trouble." Leonard Jr., daughter Jennifer in business. Informed peers say net worth exceeds $300 million. Len Jr.: "Much too high."

John Lee Cox

Oil. Midland, Tex. 62. Married; 1 son, 1 daughter. Grew up in tiny west Texas town where father worked for oil company. Graduated Rice U., became petroleum engineer 1946. Decided 1952 "I can do this on my own." Major early partner NYC financier Joseph Gruss *(which see)*. Now the quintessential Texas oilman, one of largest independent producers in state. Major operations in west Texas' Sprayberry Trend. Also New Mexico, Oklahoma, Wyoming. And, of course, a ranch. Jokes: "If you don't have 50,000 acres in west Texas, you can't wear boots." Son, son-in-law in business with him. His interests believed worth at least $300 million.

Robert Orville Anderson

Oil, land. Roswell, N.M. 70. Married; 2 sons, 5 daughters. Robert borrowed $50,000 on father's guarantee 1941, invested in N.M. refinery; drilled 200 dry holes until big strike 1957. With proceeds bought over 1 million acres, mostly ranches, in Southwest; still one of nation's largest landowners. Sold refinery to Arco predecessor 1962, became CEO 1965; "retired" 1986, formed Hondo Gas and Oil Co. Announced $240 million merger with Pauley Petroleum 1987; Anderson to be chairman/CEO: "We don't expect to be a sleeping company." Selling off land, livestock as focus returns to oil. Fond of bow ties, Stetson hats. Pauley stock, other assets, worth over $295 million.

Kenneth Nicholas Pontikes

Comdisco, Inc. Barrington, Ill. 47. Divorced, remarried; 3 children by first wife. Greek immigrant's son worked way through school with job in father's grocery store, later as Chicago Union Station "red cap" ("I lied about my age"). Quit as IBM salesman 1968, launched Computer Discount Co. with $5,000 1969; Comdisco now world's largest independent lessor of computing equipment (1986 sales, $900 million). Stock crashed $39, to $8 1984 after SEC, IRS investigations; $200 million judgment settled for $6 million 1986: "It cost us a lot of crap." Stock bounced back nicely: his 22% worth $295 million. "Business is what I do well, and I enjoy it."

Frederick Wallace Smith

Federal Express Corp. Memphis. 43. Divorced, remarried; 8 children. Father cofounder Greyhound Bus Lines. Fred suffered from crippling bone disease until 10. Decorated Vietnam Marine pilot: "I got so sick of destruction and blowing things up—on people I had nothing against—that I came back determined to do something constructive." Proposed overnight mail service earned "C" from Yale economics professor. Used family, personal inheritance ($11 million), $60 million financing to form Federal Express 1973. His 8% now worth $295 million. "One thing I learned: Don't borrow a little money. If you do, you have a lender. If you borrow a lot, you have a partner."

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David Graves, Unger

Inheritance, broadcasting. Bostor 48. Divorced, remarried; 3 childre Father Stephen (d. 1982) owned Sta Market supermarket chain, sol out to Jewel Tea Co. 1964. Davic onetime firechaser, award-winnin spot news photographer; fought 1 years to wrest local TV statio WNEV from RKO General. Finall bought 1982 for $22 million, put ting up $1.7 million of his owr Made more profitable with "mas market" programming. Rift wit highbrow partners; co. bought ou dissidents 1986. His 65% shar now worth $160 million. With rea estate, other interests net worth a least $285 million. Charitable; ex plains why: "I wear Brooks Broth ers shirts every day [$36.00, retail They last forever. So what are yo going to do with your money?"

Edmund Newton Ansin

Broadcasting. North Miami. 51. Di vorced, 3 children. Son of Massa chusetts shoe manufacturer wh bought Florida property 1940, Mi ami TV station (NBC) 1962 for $3. million. Wharton grad Edmun took over upon father's death 1971. NBC bid to purchase compe ing Miami station, cancel affili ation could drastically lower cu rent $275 million value. Issue ha brought Ansin out of his shell, be fore FCC: "General Motors can come in and sell Fords across th street from a Chevrolet dealer. Drives leased Buick, plays racque ball at public courts. His 100 Sunbeam TV Corp., share in Calif. radio stations. Florida real es tate worth over $280 million.

Charles Cassius Gates, Jr.

Gates Corp. Denver. 66. Married, children. Father's small business 1911, sold steel-studded leathe bands for tires when only 5,000 car in all of Denver; sales boost whe ads for leather horse halters fea tured Buffalo Bill Cody. Diversifie to rubber: tires, belts and hose Charles' uncle invented V-bel 1917. Dad delivered Charles Jr. i back seat of family Packard. Inhe ited, 1961, with 4 sisters. Dumpe tire business 1974. On "roll of th dice," bought two-thirds moneylos ing Learjet Industries 1967; profit able 1970s, was recently sold fo $63 million. Private company, sale

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The Competition

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$1.1 billion, will remain private. Net worth, including real estate, exceeds $280 million.

Peter Jay Sharp

Real estate. NYC. 57. Widowed, 3 children. Father Jesse was major hotelier (Ritz, Delmonico, Stanhope) NYC 1920s; died 1941. Mother Evelyn took over, expanded; sold everything 1960s, now collects art. After Princeton, Peter went into real estate on own 1957. Owns prime Manhattan office buildings, interests in many apartment houses, but crown jewel is Carlyle Hotel, a.k.a. "Peter's place." Many investments with Jack Nash and Leon Levy's Odyssey Partners, including Avatar Holdings (successful Florida real estate turnaround), Chicago-Milwaukee Corp. Much hidden, but worth well over $275 million. "Who knows? If you have to count it, you're in deep trouble."

Jesse Mack Robinson

Banking. Atlanta. 64. Married, 2 daughters. College dropout, sold used cars; built chain of auto loan companies. "Mack" bankrolled Yves St. Laurent 1960; sold 80% stake 1966 for $1 million. Bought or opened some 22 banks, branches in 76 towns; often only bank around. Largest, First National Bank of Atlanta, merged with First Wachovia 1985; his 4.7% stake recently worth $100 million. Self-styled mini-conglomerator: lumber mills, billboards, pest control, insurance. "I let my people run them, I worried about money. Of course, I charged interest." Gradually selling out after heart attack 1986. Breeds Thoroughbreds at Thomasville plantation. Net worth estimated at least $275 million.

Richard Jerome O'Neill

Alice O'Neill Avery

Brother and sister. Inheritance, real estate. Grandfather Richard O'Neill left Ireland, managed friend's huge southern California ranch; got half of property in return. Grandchildren inherited 50,000-acre O'Neill Ranch 1943; some land sales, donations. Developed 11,000-acre Mission Viejo tract mid-1960s with Donald Bren *(which see)*; sold to Philip Morris for $72 million. Now developing 5,000-acre planned community Rancho Santa Margarita, Orange County; headed by Alice's son Anthony Moiso. Richard: San Juan Capistrano, Calif. 64. Married, childless. "Uncle Dick" known for rumpled appearance. Ranching interests Mexico, Nevada; also LA restaurants. Powerful in state Democratic politics. Alice: Los Angeles. 70. Divorced, widowed; 3 sons. Dick and Alice share ranch, other assets worth $550 million. Dick: "I don't like sure things. Money in trusts drives me nuts."

Richard Palmer Kaleioku Smart

Inheritance, ranching. Honolulu and Waimea, Hawaii. 74. Divorced, 2 sons. Great-great-great-grandson of John Palmer Parker, Boston-born sailor hired by King of Hawaii to shoot wild cattle; married king's granddaughter with dowry of 2 acres, gradually assembled 50,000 more. Orphaned Richard raised by grandmother: "Auntie Tootsie was a great poker player." Left Stanford for Broadway, performed for 25 years (baritone). Today runs Parker Ranch, largest single-owner U.S. ranch (225,000 acres, 10% Island of Hawaii), produces one-third state's beef. Won 10-year estate case against 200 other descendants 1986; local prep school to inherit. With art, net worth at least $275 million. "If you print one word about me in your damn magazine, I will sue."

William Morse Davidson

Guardian Industries Corp. Bloomfield Hills, Mich. 64. Thrice divorced, remarried; 2 children. Practiced law briefly, took over uncle's interest in Guardian Industries, then a failing windshield fabricator. Took public 1968. Now 4th-largest U.S. glass manufacturer; 15% of flat glass market, 8% automotive glass. Took private 1985 in $330 million LBO. Bill also owns 62% Detroit (basketball) Pistons. Angered workers and stadium owners 1986: broke local UAW union to hire cheaper help, will move Pistons from Pontiac Silverdome to new arena. Recently sold film-processing operations to company he partially controls. Net worth is over $270 million.

Lloyd Edward Cotsen

Neutrogena Corp. 58. Bel Air, Calif. Widowed, remarried; 2 daughters, 1 son. Princeton, Harvard M.B.A. 1957; worked as archeologist in Greece between schools. After brief stint in Navy, expelled from architecture school: "I was no good at it." Joined father-in-law's skin-care products firm 1958 "because I couldn't get a job"; installed "find-your-own-niche" strategy. Neutrogena now leading maker of specialty soaps, skin-, hair-care products (1986 sales, $100 million); co. manufactures 90% of its products. Secret of success: "False modesty." Active in Jewish charities, museums, schools. His 53% Neutrogena worth over $265 million.

Dorrance Hill Hamilton

Hope Hill van Beuren

Tristram C. Colket Jr.

Charlotte Colket Weber

Campbell Soup Co. Grandchildren of John Dorrance Sr., who invented condensed soup in a can 1899; at death 1930 Campbell stock, other investments worth $129 million. One-third to John Jr. *(which see)*; one-sixth to each of 4 daughters, now deceased; their children inherited. Dorrance (Dodo) Hill Hamilton: Strafford, Pa. 59. Married, 3 children. Campbell director. Her sister Hope (Happy) Hill van Beuren: Middletown, R.I. 53. Married, 3 children. Cousin Tristram C. Colket Jr.: Paoli, Pa. and Bar Harbor, Me. 49. Married, 3 children. His sister Charlotte Colket Weber: Ocala, Fla. and NYC. 44. Married, 4 children. Breeds, races Thoroughbreds. With much in trust, these 4 share Campbell stock, other assets worth nearly $1.1 billion. Their cousins George Strawbridge Jr. and Diana Strawbridge Norris *(see Dropouts)* are also heirs.

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Robert Ruliph Carpenter Jr.

Irene Carpenter Draper

Brother and sister. Inheritance. Surviving children of Margaretta L. du Pont, sister of Pierre S. *(see various du Ponts, family)*. Their father, Ruly Carpenter Sr., included in formation Christiana Securities. Robert (Bobby): Montchanin, Del. 72. Married, 3 children. Director Christiana until sale to Du Pont 1977. Owned baseball Phillies, sold 1981 by son Robert Ruliph III for $30 million. Irene (Mrs. James A. Draper III): Montchanin, Del. 76. Twice divorced, remarried; 5 daughters by first marriage. At one time cut hair for friends and relatives in gameroom barber's chair. Brother, sister, heirs of brother William (d. 1987) share fortune estimated at $780 million. Robert, Irene worth $260 million each.

James Haller Ottaway Jr.

Newspapers. Campbell Hall, N.Y. 76. Married; 2 sons, 1 daughter. Father cofounded Michigan daily; James raised with business: "We did everything." Editor high school, college papers; married features editor of latter 1934. Together bought New York semiweekly 1936 with bank loan, savings; became 9-paper Ottaway Newspaper chain, sold to Dow Jones 1970 for $37 million in stock. Swims twice a day, active in civic affairs. Sons also followed his footsteps: James Jr. heads Ottaway Newspapers, other divisions; David *Washington Post* reporter. With family, Dow Jones stake now worth minimum of $255 million.

Guilford Glazer

Real estate. Beverly Hills. 66. Divorced, remarried; 2 children. After WWII service, built up structural steel plant in native Knoxville, Tenn. First building: apt. house for mother. Selected to build Oak Ridge shopping center early 1950s, added centers Ohio, W. Va. To LA 1960: "I thought I'd take life easier and enjoy things, but found I enjoyed working." Built LA's Del Amo Fashion Center 1971, expanded. Now at 2.65 million sq. ft., 2nd-largest U.S. mall. Several more office, industrial, mall projects nationwide. Very active Jewish causes: former Israel bonds chairman, confidant of Israeli prime ministers; also active U.S. politics. Worth well over $250 million.

John Arrillaga

Richard Taylor Peery

Partners. Real estate. Palo Alto. John: 49. Married; 1 son, 1 daughter. Richard: 48. Married; 3 sons, 1 daughter. Silent lords of Silicon Valley commercial space, live two blocks apart. John son of S. Calif. potato farmer, won Stanford basketball scholarship, worked as commercial real estate broker 1957-67. Dick devout Mormon, son of BofA honcho, sister Nancy married Richard E. Marriott *(which see)*. After Stanford business, managed ragtag SF peninsula properties for father's family. With BofA contacts, financing bought up fruit farms for approx. $35,000/acre anticipating Silicon Valley (now up to $1 million/acre). Joined forces 1967: John cuts deals, handles construction, leasing; Dick's the money man, land buyer. Both intensely private, driven. Colleague: "Toughest businessmen I've ever dealt with." Pair owns at least 5 million sq. ft., sold millions more to Prudential, California Teachers Trust. Now buying up tracts around Sacramento. John fanatic gardener, planting 200-acre private arboretum with remote-control waterfalls. Dick avid outdoorsman, fisherman. Partners share fortune estimated at over $500 million.

Frank Sherman Morgan

Sherman W. Dreiseszun

Nephew, uncle. Banks, real estate. Kansas City, Mo. Morgan: 60. Divorced, 5 children. Dreiseszun: 63. Married, 2 children. Morgan, son of immigrant traveling salesman, sold surplus war goods after WWII stint as naval storekeeper. Joined uncle Dreiseszun in sportswear business 1950. Partners ever after ("It's like they're married"); Morgan in lead. Opened small suburban bank 1964, first big shopping center 1967. Now 11 KC area banks: assets approaching $5 billion, superb returns. Over 11 million sq. ft. shopping malls, half around KC. Dreiseszun manages malls; Morgan runs banks, does real estate deals. Called major force behind KC's downtown building boom ("I don't know another

city where one man is the economic force that he is"). Both extremely secretive, shun traditional KC society. Their holdings, almost all in family trusts and friends' names, estimated over $500 million.

The average estimated net worth of members of The Forbes Four Hundred who are known to have graduated from a college or university is at least $615 million. The average for those who never attended college: $540 million.

Max Martin Fisher

Oil, investments. Detroit, NYC, Palm Beach. 79. Widowed, remarried; 5 children. Son of Russian immigrant peddler, to Ohio State on football scholarship 1926. Went to work for dad's tiny oil reclaiming plant at $15 a week, swung deal to build new refinery; built into fully integrated firm, Aurora. Acquired Speedway 79 gas stations 1947. Sold Aurora to Marathon Oil for stock 1959, tendered stock to U.S. Steel 1982 for about $200 million. Many real estate deals, including Irvine Ranch killing, with buddy Al Taubman *(which see)*. Gives half of his income to charity; a major supporter of Israel. GOP kingmaker, Nixon confidant. Net worth well over $250 million. "I pride myself on my humility."

Hugh Franklin Culverhouse

Real estate, banking, football. Tampa. 68. Married, 2 children. Boxer at U. of Alabama; sparring partner: George Wallace. IRS prosecutor, then premier tax attorney; clients incl. Richard Nixon, Bebe Rebozo. Paid $12 million for Palmer Ranch, 11,500 prime Sarasota acres 1970; sold about half for $35 million 1981, slowly developing: "It's another Irvine Ranch." Hostile bid for Florida bank 1984 still stalemated; 3rd offer 1987. Vast real estate, banking interests throughout state. NFL expansion franchise 1974; Tampa Bay Bucs perpetual doormats, but locally popular. Hugh very influential among league owners. Net worth: at least $250 million. "I can't be a half-way person."

Vivian Leatherberry Smith

Inheritance. Houston. 79. Widowed, 2 daughters. Husband R.E. (Bob) Smith started in oil, used profits to buy land in and near Houston 1950s. Once owned 17 square miles within city limits; wife still owns much land around famed Galleria mall, also Texas, Oklahoma ranches. Bob was dynamic, civic; helped bring major league baseball to Houston (owned land under Astrodome), active in Methodist causes. "Bob could never have been a Roman Catholic. He couldn't be Pope." Vivian serves as director Texas Medical Center; owns 12% Astros; also oil, ranching, banks, shopping centers. Trusts she controls believed worth over $250 million.

Irwin Lawrence Jacobs

Investments, takeovers. Minneapolis. 46. Married; 1 son, 4 daughters. Son of Russian immigrant grainbag maker, joined family business after 3 days of college. At 18 "Irv the Liquidator" sold closeout goods from warehouse. Bought ailing Grain Belt brewery 1975, liquidated for $4 million gain. Scored again collecting bankrupt W.T. Grant receivables. Bought control predecessor Minstar 1978, main vehicle for greenmail—Borg-Warner, Disney etc.; spun off boatmaking unit Genmar 1986, now set to swallow its parent. Minn. investor Carl Pohlad *(which see)* mentor, partner; co-own 51% (nonvoting share) Minn. Vikings. Cuts losses: "I'm very patient, but I'm not Don Quixote." Worth at least $250 million.

A. Larry Lawrence

Real estate. San Diego et al. 61. Twice divorced, remarried; 3 children. Raised poor on Chicago's North Side: "It builds a lot of character." Served in Merchant Marine WWII, very brief pro football stint. Contractor in Chicago, moved west 1953. Built over 11,000 "affordable" houses, apts. Now holds over 3,000 units, plus offices, industrial parks, etc. Labor of love is San Diego's grand, historic Hotel del Coronado, valued over $250 million. Also Palm Springs Racquet Club. Liberal Democrat, leader in state politics. Big donor to education: scholarships, endowed chairs. After debt, net worth $250 million. "I'm looking to buy a jet and go hopping around the world laughing."

Monroe Gary Milstein

Burlington Coat Factory Warehouse. Burlington, N.J. 60. Married, 3 sons. After NYU 1946, merged with father Abe's firm in Manhattan 1953. Paid $750,000 for failing Burlington Coat Factory store 1972. Now over 100 stores coast-to-coast. Took it public 1983. Lost 1984 takeover of Washington D.C.'s Woodward & Lothrop to Al Taubman *(which see)* but cashed in on publicity: "Now we get a proposition once a month." First cousin to NYC real estate's Milstein brothers *(which see)*. "If you enjoy your work, you're on vacation all the time. I'm a very fortunate man." His 60% stock, proceeds from offering worth over $250 million.

Lydia Kalmanovitz

Inheritance. Tiburon, Calif. 83. Widowed, childless. German-born wife of Paul Kalmanovitz, Polish

ADVICE

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They buil

Steel helmet, mid 16th century

Ceremonial kaftan, mid 16th century

ABOVE: View of Genoa from the Tarih-i-Feth-i-Siklos, mid 16th century

he bridge.

Wicker shield, late 16th century

Wooden Koran box, early 16th century

These are some examples of the art of a great empire and a great people that Americans know very little about. They are part of a stunning exhibition entitled "The Age of Sultan Suleyman the Magnificent." Its final appearance will be at The Metropolitan Museum of Art from October 4th, 1987 through January 17th, 1988, completing a year-long tour of three of America's most prestigious museums.

At the height of their power under Suleyman, the Ottoman Turks ruled large areas of Europe, Asia and Africa. Faced with the imperial need to understand a bewildering variety of conflicting cultures—and the compelling need to maintain their own—they attempted the impossible, and succeeded. They created an art that harmonized opposites—austere and lush, concisely clear and impenetrably complex—and found pure beauty in pure design. In doing so, they made of themselves and their art a bridge between East and West, a bridge that still serves the modern world.

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merchant marine came ashore U.S. age 20. No schooling, taught self English; washed cars; managed, bought into nightclubs, apts. After 1945 holdup, couple refused to be photographed again. Swapped real estate for LA brewery 1950. Acquired Falstaff for $10 million 1975, many regionals—General Brewing (generic beer), Pearl, Lucky Lager, Narragansett. Low-priced suds, lean operation. "Mr. Paul" prolific litigant. Bought Pabst 1985 for $63 million on third try; died 1987 worth $500 million. Lydia's 50% of estate, incl. land, shopping centers, worth $250 million.

Daniel Crow Searle
William Louis Searle
Suzanne Searle Dixon

Brothers and sister. Inheritance. Great-grandchildren of Gideon Searle, who bought Indiana drugstore after Civil War, founded one of nation's first drugstore chains. Began making drugs as G.D. Searle 1888. Grandson John responsible for remarkable profitability 1936-1966: introduced Dramamine, first oral contraceptive, etc. Son Daniel: Winnetka, Ill. 61. Married; 2 sons, 1 daughter. CEO 1966-77. Disastrous record of acquisitions; image tarnished by FDA probe. Best move: hired former Defense Secretary Donald Rumsfeld to pick up pieces. That and discovery of aspartame saved company. Sold out to Monsanto 1985. Son William: Lake Forest, Ill. 59. Married, 3 children. Former vice chairman. Daughter Suzanne: Lake Forest. 56. Married, 3 children. All three active in investment of funds (substantial portion in venture capital) as Earl Kinship Capital Corp. "We follow prudent rules any investor would, but individually and collectively we are willing to take higher risks because of sources available." Share in trusts, proceeds of sale, other assets worth over $750 million.

Jack Monteith Berry

Citrus. Winter Haven, Fla. and Blowing Rock, N.C. 70. Married; 1 son, 2 daughters. Left Tenn. to find fortune in NYC 1939; took public-speaking courses to lose accent. Successful fruit broker, earning $75,000 a year by 1943: "By the time I was 27 years old, I felt I owned the city." Post-WWII supermarkets overtook corner groceries, bought direct from growers; Jack moved to Fla. 1960s, planted 6,000 acres of his own. Now: 18,000 acres productive orange groves, 16,000 acres ranchland; loves work: "Hurricanes, floods, freezes, disasters. I'd get out of the business if we didn't have them." With 2 box plants, 2 plastics plants, net worth believed to exceed $250 million.

Ben Hill Griffin Jr.

Citrus. Avon Park, Fla. 76. Divorced, remarried; 5 children, 1 stepchild. Born during 1910 hurricane; drove mules in father's orange groves at 8. Earned money in high school selling stray grapefruits; lost $1,000 on college gas station venture: "All I got out of it was a water bucket, a car jack and two or three wrenches." Start in fruit business was 1933 wedding gift: 10-acre grove; now over 10,000 citrus acres, 70,000 acres ranchland. Also 50%-owner cattle, citrus concern, Alico Inc. 5 terms state legislature, lost 1974 governor's race (wife was running mate). Net worth $250 million. "We're just running a little business out in the country."

Alpheus Lee Ellis

Banking, real estate. Tarpon Springs, Fla. 81. Married, 1 daughter. Got first banking job 1920 cleaning spittoons for $8 a week in father's bank. "We never had any money, so our only chance was to work in a bank and see someone else's." "Al" continued to clean up in banking: his Ellis Banking Corp. sold to NCNB Corp. 1983 for $104 million in stock, now worth twice that. Also real estate in Tampa, Clearwater. NCNB director, has lifetime employment contract: His 10% stake in NCNB, real estate, other assets, worth over $250 million. Hates "junk mail" money requests Forbes Four Hundred listing attracts: "Anybody who reads FORBES doesn't need to be asking for money."

Among graduates of these colleges and universities on The Forbes Four Hundred, average estimated net worths were:
Stanford $725 million
Columbia $635 million
Yale $620 million
Princeton $600 million
M.I.T. $510 million
Harvard $400 million

Stewart Bainum Jr.

Manor Care, Inc. Silver Spring, Md. 68. Married, 4 children. Dropped out college freshman year; worked as plumbing contractor. Moved into construction during 1950s D.C. real estate boom; partnered with brother Robert in nursing homes. Founded Quality Inns motel chain 1966; merged companies 1980. Manor Care, Inc. now owns 139 nursing homes in 23 states (most for affluent elderly); Quality Inns has 805 franchisees. Son Stewart Jr., 40, ex-state senator, lost race for U.S. House 1986; succeeded father as chairman 1987: "a logical progression in light of the election results." Sr. holds stock, real estate worth $250 million.

Francesco Galesi

Real estate. NYC. 56. Divorced, remarried; 3 children. Son of Italian immigrant real estate broker. After

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Princeton, built shopping centers with family. On own 1968, bought 6-million-sq.-ft. army depot near Albany, N.Y. for $4 million, converted to industrial-distribution complex; with added space, now worth more than $100 million. Also offices, Long Island, N.Y. beachfront acreage, Jamaican sugarcane plantation, Vermont colonial resort. Telecommunications ventures USCI (satellites), Argo (long distance) both went Chapter 11: "It's very disappointing. I've never lost money before." Trying again with Long Distance America Inc. Worth at least $250 million.

Joseph Morton Davidowitz (a.k.a. Morton Davis)

Stock market, investment banking. Lawrence, N.Y. 58. Married, 4 daughters, 1 in business. Son of Kosher food distributor, sold vacuums door-to-door. Attended Brooklyn College at night 7 years; graduated Harvard business school with honors. Named partner old-line wirehouse D.H. Blair after joining 1961; sole owner 1973 (equity capital now $53 million). Dominates junk stock underwriting, uses high-pressure tactics to sell flimsy new issues. "I back the jockeys, the younger guys with the exciting ideas. We have no competition." Invests own money or waives fees for stock, warrants in most promising deals. D.H. Blair, plus large portfolio, worth over $250 million.

Robert Boisseau Pamplin

Textiles. Portland, Ore. 75. Married, 1 son. Raised penniless; mother made his clothes from sugar sacks. Rose to CEO of Georgia-Pacific. On day of mandatory retirement 1976 bought tiny Ross Island Sand & Gravel—base for today's $425 million (sales) R.B. Pamplin Co., with 19 textile mills: "It's not that we were interested in textiles, but they were more undervalued than anything else." Son Robert Jr. author of seven books; eight degrees (Ph.D.s: theology, business); gives sermons cross-country. Fortune, already much in son's name, worth over $250 million. "It's just a lot of fun and the good Lord has been very rewarding to us."

Under $250 Million

Daniel James Terra

Lawter International, art. Chicago, Washington, D.C. 76. Twice married, one son by first wife. Son of Italian immigrant lithographer. Switched to engineering after losing college dance audition to Gene Kelly: "All I had to do was see him take the first three steps." At 28, borrowed $2,500, set up Lawter (specialty chemicals). Consultant advised 1955 to delegate authority. "The key to everything I've done is having good advisers and listening to them." Opened Chicago's Terra Museum of American Art 1987 to house $100 million collection. Raised $21 million for Ronald Reagan in 1980; appointed ambassador-at-large for cultural affairs 1981. Fortune is estimated at more than $245 million.

Edmund Wattis Littlefield

Utah International. Burlingame, Calif. 73. Married, 3 children. Grandson of E.O. Wattis *(see family)*, who cofounded UI. At 14, was waterboy for firm's construction crews in Ogden. At 37, became senior manager on condition he not have to hire founders' relatives. Steered UI out of construction, into coal and copper mining, setting long-term contracts with U.S. steelmakers and Japan. As director of General Electric, orchestrated GE's 1976 purchase of UI (resold 1984 to Broken Hill Proprietary). Wattis family's GE stake has more than tripled since to $1 billion. "The timing was right, shall we say." Ed's 1.7 million shares plus other investments worth minimum of $245 million.

Lawrence J. Ellison

Oracle Corp. Atherton, Calif. 43 Divorced, 2 children. U. of Chicago; M.S., physics. Authored database management program (DBM at Ampex 1973-75. Founded Oracle on $1,200, 1977. Looked for venture capital, no luck: "I used to read old copies of FORBES in the anteroom. I knew I wasn't welcome when they checked to see if I took the magazine with me on the way out." Started consulting, followed key DBM work at IBM. From published IBM paper, beat leviathan to market by 2½ years. "We stood on the shoulders of giants." Now fastest-growing software co. "Hands off" manager, plays basketball, active conservationist. Stake in Oracle worth $245 million. "People ask me what my three-year plan is. I say, 'What about a three-month plan?' "

Irénée du Pont Jr.

Irene Sophie du Pont May

Margaretta Lammot du Pont Greenewalt

Constance Simons du Pont Darden

Eleanor Francis du Pont Rust

Mariana du Pont Silliman

Octavia Mary du Pont Bredin

Lucile Evelina du Pont Flint

Brother and sisters. Inheritance Children of Irénée Sr. (d. 1963) president Du Pont Co. 1919-26 *(see other du Ponts, family)*. Irénée Jr. Montchanin, Del. 67. Married, 5 children. With Du Pont Co. 32 years, retired as senior vp 1978 Still on board, also boards of Wilmington Trust, Longwood Foundation. Oversaw merger Christiana Securities with Du Pont in 1977 which effectively ended traditional family control of companies. Still a family leader. Irene Sophie (Mrs Ernest May): Wilmington, Del. 86 Widowed, 4 children. Margaretta

Lammot (Mrs. Crawford H. Greenewalt): Greenville, Del. 85. Married, 3 children. Husband president Du Pont 1948-62. Constance Simons (Mrs. Colgate W. Darden Jr.): Norfolk, Va. 83. Widowed, 3 children. Husband (d. 1981) governor of Virginia 1942-46. Eleanor Francis (Mrs. Philip Gordon Rust): Thomasville, Ga. 80. Married, 4 children. Mariana (Mrs. Henry Harper Silliman): Hagley, Montchanin, Del. 76. Married, 6 children. Octavia Mary (Mrs. John Bruce Bredin): Greenville. 74. Married, 6 children. Lucile Evelina (Mrs. Robert Baronet Flint): Greenville. 72. Married, 5 children. These eight siblings share in fortune estimated at $1.92 billion.

Jack N. Mandel

Joseph C. Mandel

Morton Leon Mandel

Brothers. Premier Industrial Corp. Jack: Shaker Heights, Ohio. 76. Married, childless. Joseph: Lyndhurst, Ohio. 73. Married, 2 daughters. Morton: Shaker Heights. 66. Married; 2 daughters, 1 son. Three brothers ponied up $900 to buy uncle's auto-parts shop 1940. Found slump-resistant niche supplying nuts, bolts, obscure auto/electronic parts to low-volume, high-paying customers. Mort steered through acquisitions, public offering 1960. Jack, Joe handled marketing, sales. Publish comprehensive 900-page catalog of electric components, maintenance products, firefighting equipment; inventory 100,000 types of parts. Premier (revenues $435 million) ships most orders same day; Mort, chairman: "Service is a fetish with us." Jack and Joe directors. Civic-minded, charitable. Each brother's Premier stock, other investments worth at least $240 million.

Every change of 1 point in the price of Wal-Mart stock increases or decreases the fortune of Sam Walton and his children by $218 million.

Johnnie Bryan Hunt

J.B. Hunt Transport Services, Inc. Springdale, Ark. 60. Married, 2 children. Sharecropper's son quit 8th grade to support family; worked in uncle's sawmill, later as truck driver. Hit big time 1962 in poultry litter (ground cover for fowl) using discarded rice hulls; became world's largest producer poultry litter. Got into trucks as sideline 1969, boomed with deregulation: led trend of company-owned, -operated rigs. Sold poultry business 1983; J.B. Hunt Transport now 2,400 tractors, 4,700 trailers, over $200 million sales. "J.B." rides horses, wears gold dollar-sign cuff links; wife Johnelle works at co. His 46% stock worth $240 million. Fondly recalls poultry litter days: "That's the biggest thing we ever did—bigger than the truck lines."

Dorothy (Dolly) Green

Inheritance. Beverly Hills. Late 70s. Divorced, no children. Daughter of Burton E. Green (d. 1965), promoter, Beverly Hills founder, developer. Bought unwanted oil-bearing ground, cofounded Belridge Oil 1911; president 1925-65. Company bought 1979 by Shell Oil for $3.6 billion *(see also Buck, Whittier)*. Three daughters shared stake worth $700 million; Liliore d. 1985; Burton d. 1986. Horse lover Dolly made first appearance at horse auction 1980, dropped $2.2 million on 5 yearlings. "I do love my horses, and I think the personal attention I give them is helpful." Net worth from Belridge sale estimated at $240 million.

Allen Eugene Paulson

Gulfstream Aerospace Corp. Savannah, Ga. 65. Twice divorced, 3 sons. Iowa farmboy supported self at 13; to SF on jackpot money where took first flight with barnstormer. TWA mechanic at 19 for 30 cents/hour. With flair for engine design, formed own aircraft conversion co. 1951, built up spectacularly. Bought corporate jetmaker Gulfstream Aerospace 1978 for $52 million; shaped up, took public 1983, sold out to Chrysler Corp. 1985; netted over $350 million. Still Gulfstream chairman and chief executive; also Chrysler director. Invested $50 million in ailing Wheeling-Pittsburgh Steel Corp. After failing to revive, sold stake 1986 for $100,000: "An $11 million tax break." Heavy investments in horses (over 400) hurt by market slump. Also over 10,000 acres ranches and farms in Georgia, South Carolina, Kentucky, California. Net worth estimated at least $240 million.

Sy Syms

Syms Corp. Lyndhurst, N.J. 61. Married; 3 sons, 3 daughters. Brief broadcasting stint after college; joined family clothing store 1952. Left for own shop featuring discount designer fashions (manufacturers' overruns bought cheap), 1959. Legally changed name to Syms from Sy Merns. Daughter Marcy, president, named after Arrow shirt collar style worn by Herbert Hoover. Currently operates 21 stores in 10 states, most in mid-Atlantic region. Famous come-on slogan: "An educated consumer is our best customer." Purchased ritzy A. Sulka haberdasheries 1980. Went public 1983. With cash from offering over 80% of stock, worth more than $240 million.

Bennett Stephen LeBow

Buyouts. Essex Co., N.J. 49. Married, 2 daughters. After Pentagon stint, founded DSI Systems com-

puter concern 1967. Expanded too fast, almost went under, revived. Became turnaround artist 1970s. Bought jewelry maker Sarah Coventry, Saxon Industries division. Hit big time buying cast-off computer unit from Asher Edelman for $101 million 1985. Went public 1986, his shares now worth $135 million. Bought Liggett & Myers Tobacco for $137 million 1986; now going public. Heading Western Union buyout, will pay $25 million for 53% stake. Yachtsman, scuba diver. Worth at least $235 million. A backer: "He sees gold where others see no value."

Dwayne Orville Andreas

Archer-Daniels-Midland Co. Bal Harbour, Fla. et al. 69. Divorced, remarried; 3 children. Mennonite farmer Reuben Andreas moved to Iowa; with sons, set up soybean processor Honeymead Products 1936. Son Dwayne, college dropout, sold some assets to Cargill 1945 anticipating draft; wasn't called up, joined Cargill 1946. With brother Lowell, invited into ADM in $3.3 million deal 1965; chmn. 1971. ADM now $5 billion multinational commodities giant. Dwayne (5 foot 4, 140 lbs.) the "Soybean King"; keeps good company: Gorbachev, Reagan, the Pope. "At heart, I'm just a Mennonite farm boy." ADM stock, with son, worth $230 million.

Chapman Shaw Root

Coca-Cola bottler, broadcasting. Ormond Beach, Fla. 62. Married; 5 sons, 1 daughter. Grandfather Chapman Jay Root (d. 1945) started Root Glass Co. 1901 in Terre Haute, Ind., made fruit jars; "created the most perfectly designed package in the entire world" 1915: Coke bottle. Formed Associated Coca-Cola Bottling Plants Inc. as holding company 1939; Root Co. had 58% interest. Son William died 1932 plane crash; grandson Chapman became president 1950 at 25. Bottling operation sold to Coca-Cola 1982 for $417 million (his share $240 million). Still owns 4 radio stations, 1 TV station, Daytona Hilton, etc. Proceeds from sale, other assets, worth $230 million.

4 members of The Forbes Four Hundred are known to be survivors of Nazi concentration camps:
Abraham Spiegel
Laszlo Tauber
David Chase
Jack Tramiel

Patrick George Ryan

Insurance. Chicago. 50. Married, 3 sons. Son of Milwaukee Ford dealer, sold insurance for five years with Penn Mutual. Opened own business selling auto insurance through car dealers for a percentage. Ryan Insurance Group soon expanded and grew to over $560 million in assets. Merged with W. Clement Stone's Combined International 1982; Pat became CEO. Acquired 11.1% of Combined stock (now 12.5%); made acquisitions, renovated company: renamed AON Corp. (Gaelic for "unity") 1987. "I haven't met a successful person who doesn't have a positive approach to life." Family man. Ryan's shares are worth $230 million.

Austin Owen Furst Jr.

Vestron, Inc. New Canaan, Conn. 44. Married, 3 children. Delivered *TV Guide* in elementary school. Time Inc./HBO veteran left to form videocassette firm 1981; took along home video rights to Time-Life Films library. Capitalized on home video; 3 top-ten *Billboard* hits in first year. Problems since: Major studios now distribute their own movies. "Austin should have sold the company two years ago." Hurt by saturated market, competition; embroiled in court over rights to distribute *Platoon, Hoosiers*. Formed Vestron Pictures 1986 to produce, distribute own movies. His Vestron shares, stock sales, other assets worth $230 million. "It hasn't been a lot of fun."

Richard Edward Rainwater

Investments. Fort Worth and Nantucket. 43. Married, 3 children. Raised in middle-class Fort Worth by part-Lebanese, part-Cherokee wholesaler. Hot-rodder, math whiz. After stint at Goldman, Sachs, hired by Stanford business schoolmate Sid Bass *(which see, also Robert, Edward)* to diversify family oil fortune. Proved dealmaking genius: wide-ranging investments (Texaco, Disney, etc.) helped swell Bass brothers' net worth from less than $100 million to nearly $4 billion. Left 1986 for own deals, incl. Blocker Energy, Wolverine Exploration. Also interest in nearly 50 investment partnerships (some with Basses). "He just loves to make people rich." Including self: net worth at least $225 million.

John David Lusk

Real estate. Newport Beach, Calif. 79. Married, 2 sons, 1 daughter. Was bank v.p. lending to builders. Quit after 21 years to become homebuilder 1946; hit postwar housing boom. Developed much of Whittier, Calif. (Nixon lived in a Lusk house). Diversified with commercial, industrial projects since 1953. Lusk Co. has built over 35,000 homes. Building over $2 billion in industrial parks. Conservative, long-range planner; "tremendous" landholdings. Son William, 58, is vice chairman. Net worth should well exceed $225 million. "It's easy to build a large home. It takes expertise to make a small one livable."

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Timothy Mellon

Catherine Mellon Conover

Siblings. Inheritance. Grandchildren of financier, empire-builder Andrew Mellon (d. 1937), children of Paul *(which see)*. Tim: Manchester, N.H. area. 45. Divorced, remarried; 1 stepdaughter. Started computer programming firm 1969, after Yale degree in city planning. Founded, with partner, company to pressure-treat railroad ties 1977. Acquired Guilford Transportation for $50 million: 4,700-mile track composed of old New England railroads. Added 1,000 miles unwanted Norfolk & Southern track after unsuccessful bid for Conrail. Cathy: Washington, D.C. 51. Twice divorced; 3 children by first husband John Warner (later became Senator; Mr. Elizabeth Taylor). Divorce settlement: He got $9 million, two houses. Cathy antiwar activist, active supporter environmental issues. Each received $100 million trust from grandfather; father Paul says they have enough, will get no more from him. No problem: Conservatively invested, each should be worth $225 million.

Raymond L. Danner

Shoney's. Nashville. 62. Divorced, remarried; 2 sons (1 deceased), 2 daughters. Immigrant father, German paperhanger, died, leaving Raymond to help support family with paper route. After numerous ventures, opened first Shoney's coffee shop in Madison, Tenn. 1959. Known for "Danner drive": painstaking attention to detail (personally washed dishes, restrooms, still inspects establishments). Acquired franchisor, paid $13 million to get out of Big Boy contract 1984. Also, Lee's Famous Recipe and Captain D's seafood. Currently owns or franchises 1,438 restaurants, primarily in Southeast. Stock plus other investments valued at least $225 million.

Bernard Gerald Cantor

Securities brokerage. Beverly Hills and NYC. 70. Divorced, remarried; 1 son. As a boy, "Bernie" sold hot dogs in Yankee Stadium. Founded, built, owns 72% of Cantor, Fitzgerald Inc., broker's broker in government, corporate, municipal paper; dealer in short-term instruments. Daily volume is $18 billion. Infomaniac, arranger of deals. Telerate stake sold 1981 for $80 million worth over $1 billion today. No regrets: "Once you make a sale, you never look back." Passionate art collector, renowned donor of Rodin sculptures. "I want the pleasure of seeing people enjoy my art while I'm still alive." Net worth estimated at $225 million.

Oliver Taylor Carr Jr.

Real estate. Washington, D.C. 62. Married, 6 children. Born blind in one eye; 4th generation local real estate family. After WWII, built houses in Montgomery County, Va.; moved downtown 1962. Began aggressively building in neighborhoods hit by 1968 riots: "People who deserted the city were nuts. It was a bad moral decision. It was a bad business decision." Built over 8 million sq. ft. very prime offices—"the Tiffany of local developers." Tore down historic Rhodes Tavern; painstakingly restored famed Willard Hotel. Influential in local business circles; heading effort to bring baseball back to D.C. Many projects with Equitable; his equity exceeds $225 million.

John Livingston Weinberg

Goldman, Sachs & Co. NYC. 62. Married; 1 son, 1 daughter. Father Sidney ("Mr. Wall Street") started as porter, ran Goldman, Sachs over four decades, advised U.S. presidents. Former Marine captain John graduated from Harvard Business, joined Goldman 1950, made partner 1956. Disciplined, low-profile team player; avoids ostentation. Named co-head 1976, chairman 1984. Pushing firm (assets $2.4 billion) into global markets assisted by older brother "Jimmy," shuns hostile takeover work. Staunchly backed Goldman partner recently charged with insider trading. Sits on many corporate boards. His reported 4% to 5% interest, investments believed worth some $225 million (Jimmy has another 2%).

William Lyon

Real estate. Newport Beach, Calif. 64. Widowed, remarried; 5 children. LA native, took flying lessons at 16. Commercial pilot, also WWII, Korea: 17 combat decorations. Began building homes Orange County 1950s, sold co. 1968; opened successor 1972: William Lyon Co. now a leading area homebuilder ($425 million revenues). Chief of U.S. Air Force Reserve 1975-79; still "the General" to friends. With George Argyros *(see Near Misses)* bought failing AirCal 1981; turned around, sold to American 1986. Big classic car collector: recently bought 82 cars from Harrah's for $29 million. Commands fortune exceeding $225 million.

John Quentin Hammons

Holiday Inns. Springfield, Mo. 64. Married. Taught school, worked on Alaskan highway; after WWII, concrete venture failed, leaving him deep in debt. Recouped by building homes, shopping centers. Got into Holiday Inn franchises with partner Roy Winegardner 1959. Built 31 hotels, sold to Holiday Inns for stock 1970 (Roy later became HI chairman). Continued to build on own. Now owns 36 hotels, manages 16,000 rooms, one of biggest HI operators. Also, much hometown development, philanthropy: founded heart institute. Operates Burger Station chain. Net worth exceeds $225 million. "If you do business in the 1980s like you did in the 1970s, you won't be around in the 1990s."

Amos Barr Hostetter Jr

Continental Cablevision, Inc. Boston. 50. Married, 1 daughter. Stockbroker's son raised Short Hills, N.J. Harvard M.B.A., stint in utility finance, venture capital. "Bud" started Continental 1963 with frat brother, H. Irving Grousbeck; each put up $4,000 (as did Bud's father). Acquired franchises one by one, also built systems from scratch. Bought McClatchy *(see family)* cable properties 1986. Now third-largest cable operator in the country; also cellular radio holdings. Owners of closely held stock include Dow

Jones (17%). Grousbeck went into teaching 1981, still holds 10%. Bud's 28% share (with sister) worth more than $225 million. "I wish you would just forget you ever heard about me."

Leonard Litwin

Real estate. NYC. Early 70s. Married, 2 daughters. Started in landscaping business with father on Long Island (nurseries are now valuable real estate). Branched into apartments with pioneering high rises on Manhattan's York Ave. Now owns at least 3,800 prime rental units, refuses to co-op: "Everybody who has a job in New York can't spend $500,000 on a co-op." Colleague: "He operates like an old-fashioned real estate man." Continues to build on Upper East Side; also invested in numerous Manhattan offices. "One of these days I'm going to make it. My friends will call up and say, 'Lenny, you done good.'" He's done good enough: fortune estimated to be at least $225 million.

To date, 11 present or former members of The Forbes Four Hundred, or their principal businesses, have filed under Chapter 11 of the Federal Bankruptcy Act.

W. Duncan MacMillan
John Hugh MacMillan III
Marion MacMillan Pictet

Inheritance. Brothers, sister. Children of John MacMillan Jr., who was in charge of family grain-trading company Cargill, Inc. from 1936 until his death in 1960. John Sr. became president on death of father-in-law William W. Cargill 1909, after successful struggle with William's son. Duncan: Wayzata, Minn. 57. Married, 4 children. Cargill director, vice chairman of Waycrosse, Inc., family's private investment firm. Hugh: Hillsboro Beach, Fla. 59. At least 3 marriages (1 ex-wife was family baby-sitter); 8 children and 1 expected. None of his children are active in the company. Marnie (Mrs. Pictet): Geneva, Switzerland. 54. Divorced, remarried; 2 children. Spends most of time out of U.S. Share their branch's 25% of Cargill stock, worth at least $675 million. *(See Cargill/MacMillan family, also other Cargills, MacMillans, Keinath.)*

Whitney MacMillan
Cargill MacMillan Jr.
Pauline MacMillan Keinath

Inheritance. Brothers and sister. Grandchildren of John MacMillan Sr., president of Cargill first third of this century. Whitney: Minneapolis. 58. Married, 2 children. Graduated Yale 1951, joined firm as vegetable oil merchant. Chairman 1977. Led grain-trading company into value-added products, oil, meatpacking; now business thriving in farm-markets slump. Made his first nonbusiness public appearance introducing humorist Garrison Keillor at World Theater (Minneapolis) 1986; sponsored Keillor's career early on. Cargill: Minneapolis. 60. Married, 4 children. Senior v.p. Cargill 1973. Has served on committee of Minneapolis Society of Fine Arts; buys occasional works. Pauline: 53. Married. Not active in company. Share their family branch's 25% Cargill stock, worth at least $675 million.

Three members of The Forbes Four Hundred were original investors in Teledyne and still hold stock in that company: Arthur Rock, Fayez Sarofim and Henry Singleton.

Bettina Klink
Hugh Bancroft III
Christopher Bancroft
Kathryn Bancroft Kavadas

Inheritance. Grandchildren and great-grandchildren of Clarence Barron (d. 1928) of Dow Jones empire *(Wall Street Journal,* Dow Jones ticker, Ottaway Newspapers, *Barron's).* Clarence's adopted daughter Jane married Harvard lawyer Hugh Bancroft (d. 1933). Fortune split among 3 children: Jane Bancroft Cook *(which see),* Jessie Cox (d. 1982, *see W. Cox Jr., Jane MacElree*), Hugh Bancroft Jr. (d. 1953). Hugh's 4 children inherited his share. Bettina Klink: Los Angeles. 46. Divorced, remarried; 2 children. Currently a Dow Jones director. Hugh: Newport Beach, Calif. 38. Married, 1 child. Chris: Denton, Tex. 36. Married, 2 children. Runs real estate firm. Kathryn: Waban, Mass. 35. Married, 2 children. Active in fine arts and philanthropy; lives in modest home. Trusts hold $900 million in Dow Jones stock.

Herbert Herman Haft
Robert Michael Haft

Father and son. Dart Group (retailing, greenmail, real estate). Washington, D.C. Herbert: 67. Married (wife a Dart Group v.p.), 3 children. Started 1954 with neighborhood drugstore. Early pioneer discounting. Angry, full-price competitors sued, lost. Developed own shopping centers (family-owned Combined Properties) after failing to place discount stores in existing malls. Sold 77-store chain in 1984 to management group for $160 million. Profit for his nominally public Dart Group: $75 million. Dart owns 52.4% Crown Books, 66% Trak Auto. Also, vehicle for takeover attempts (Federated, May Dept. Stores, Safeway Stores, etc.): Target companies paid total $170 million buying back their stock. Latest bid: Dayton Hudson Corp. Herbert paid $1.7 million for Embassy Row (D.C.) home, razed to build more to his liking. Son Robert: 34. Married, 1 son. President Dart, CEO Crown Books. Quick study: at age 24 launched Crown (now 200 stores, books discounted, of course). Brother Ronald, 28, runs Combined Properties; sister Linda, 36, exec. v.p. Dart's financial arm. Family's combined fortune exceeds $675 million; Herbert, Robert worth at least $225 million each.

Clarence Scharbauer Jr.

Inheritance. Midland, Tex. 62. Married, 4 children. Father left New York City, settled in Midland 1889, built the hotel, ran the bank, became leading citizen. As a rancher bought thousands of acres to feed cattle; land happened to be on top of the Permian Basin, nation's richest oil province. First strike: 1935. Fellow Midlander, "The development of oil ruins a cattle ranch, but it's the nicest way to have a ranch ruined." Father-in-law's horse, Tomy Lee, won 1959 Kentucky Derby; Clarence Jr. owns 1987 Kentucky Derby and Preakness winner Alysheba. Net worth believed to exceed $225 million.

The total estimated net worth of The Forbes Four Hundred is $220 billion.

In comparison:
Assets of largest bank (Dai-Ichi Kangyo, Japan): $215 billion.

Retail sales of alcoholic beverages in U.S. 1983-86: $220 billion.

U.S. military expenditures in 1986: $278 billion.

U.S. budget deficit 1986: $205 billion.

Value of mergers and acquisitions in U.S. 1986: $173 billion.

Foreign investment in U.S.: $209 billion.

U.S. investment abroad: $206 billion.

Steven Allen Spielberg

Movies. Beverly Hills, Calif. et al 39. Married (to actress Amy Irving) 1 son. Raised Scottsdale, Ariz., self described "wimp." Mischievous He peanut-buttered his neighbor's windows. His mom: "His badness was so original there weren't even books to tell you what to do." Got his first camera at 12, filmed his toy trains crashing. Spent summer vacation hanging around Universal studios; started as contract director at age 20, shot TV shows. First big hit: *Jaws*, 1975. Director *Close Encounters, E.T., Raiders of the Lost Ark, Indiana Jones*; exec-producer *Gremlins, Back to the Future*, etc.: involved in five of ten alltime top-grossing films. Worth well over $225 million. "Yeah, I'm a mogul now. But when I grow up, I still want to be a director."

Arthur J. Rock

Venture capitalist. San Francisco 61. Married, no children. Son of candy store owner, who recovered from polio. After Harvard Business was Wall Street stockpicker during late 1950s boom. Arranged financing for Fairchild Semiconductor, wellspring of Silicon Valley. Headed west 1961, just ahead of market dive. Founded venture capital partnership. Start-up investments: Scientific Data Systems, Teledyne *(see Henry Singleton)*, Intel *(see Gordon Moore)*, Apple Computer *(see Armas Markkula)*. "The first thing I find out, and it takes a long time, is whether the guy is honest." Stock in public firms and private investments believed worth far above $225 million.

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"Best. Excelling or surpassing all others of its kind in inherent quality..."

At best, a tricky word—the best. In our daily round, we try to put our best foot forward, be on our best behavior, act with the best ntions, do the very best we can, or at st our level best, and in our Sunday best ays hope for the best. We may live in best of times, in the best of all possible rlds, but the best we can hope to , according to applied wisdom, is an n break. Robert Burns has sufficiently rned us about the best laid plans of e and men, and Wall Street yuppies are ginning to learn that honesty is still the t policy, although far too many still be- e that stolen sweets are the best. We ly believe that old friends are still the t: we wish them the best of everything l always the best of luck. As always, dia- nds are a girl's best friend, and it's more n purebred dogs that strive to be best of ss. To be number one is certainly to be best, although try telling that to Avis.

We know, and confirm, that the best gs in life are free, but then try living on and water. If you want the best be pre- ed to pay for it—Commodore Vanderbilt wasn't just kidding. Is the best always the most expensive? Not according to a canny Scottish proverb, which claims the best is "aye the cheapest." No paradox lost there, for if the Scots don't know what value is, who does? The best you can do with the following is to think in terms of superlatives—best of its kind, whatever the category. We're the best, each selection seems to whisper, *numero uno*. So fret not that the best is yet to be, for there are always next year's choices. As someone early in the game observed, and as Robin Leach and his merry gang of rich and famous would vociferously agree, it's awfully easy to get used to the best.

By Michael Alexander

The Business Jetters

If time is money, the answer to the businessman's frequent need to travel is that ultimate symbol of economic prestige: the sleek, smooth, fast-riding business jet. And the businessman hankering for the best flying the skies today need not look far. He has his choice from among four beauties from FalconJet, the premier name in corporate aviation since 1963, when the late Colonel Charles Lindbergh approved the French-made Dassault Mystere 20 (later the Falcon 20) to mark Pan Am's entry into the newly created corporate jet market.

Where all this stems from is the comparison-free quality of the design and precision engineering. The Falcon people point with pride to their own formula or such factors in balance as speed, comfort, versatility, elegance and efficiency. Little wonder that some of the older Falcons are

often sold for more than the original selling price.

Falcons often approach the speed of sound, which reflects the company's quasi-military background. Dassault, the French parent company, is noted for its Mirage fighter jets, and some of its dazzling aerodynamic quality and vigorous standard of construction has been passed on to the business jets.

The fastest business jet on the market (Mach .83 cruise speed), the Falcon 100 is sometimes called the "pilot's airplane." It was the first business jet certified to carry the advanced flight instrumentation system called the Collins Electronic Flight Instrumentation System (EFIS), now the standard on all Falcons. With its swept-wing design the Falcon 100 carries six passengers and a crew of two, has a 2,245-mile range (ideal for small airports), and the cabin is large and airy, with just-right appointments and efficient use of space.

Similar in efficiency and performance to the tri-jet Falcon 50, the 200 carries up to nine passengers, a crew of two, and can range up to 3000 miles—a transcontinental jet that can easily fly nonstop New York to Los Angeles. It's a businessman's special, with a roomy cabin, plenty of storage space, fold-out worktables, functional galley and a generous in-cabin closet.

With the Falcon 50 customers don't have to choose between size and efficiency, comfort and performance or change and versatility. The balance of all is there—it's the pride of the Falcon fleet, a tri-engine, full-size intercontinental business jet with short-field capabilities. It's a spacious, comfortable office-in-the-sky carrying up to 10 passengers and crew of two, a speedster with a range of 4200 miles. It can fly New York to Tokyo with a single

The Falcon 100, 200, 50, and 900 comprise the world's foremost family of business jets.

stop, or nonstop between the East Coast and Europe. It can soar up to 45,000 feet—above 98% of all weather—and as fast as 550 m.p.h. It is the first civil jet designed by computer; aerodynamically clean and efficient. The interior is the result of ergodynamics (the study of human engineering) and the skills of Henry Dreyfuss Associates, the ergos, who have provided a stand-up lavatory, a full-service galley for hot meals and cold drinks, a commodious environment where the occupants can work, entertain or simply relax. The 50 is the one that sets the standards by which other business jets are judged.

Sister to the 50 and newest member of the fleet, the Falcon 900 is a wide-body tri-jet in which the cabin can be partitioned and which can fly long distances easily nonstop. It is versatile and very fast—it has flown to Europe at an average speed of Mach .84, an unofficial speed record. Avionics, engineering, aerodynamics: everything is state-of-the-art advances in business jet technology. The cabin has space for three separate convenience groupings, and an innovative galley that can produce two full services of restaurant meals for as many as twelve executives gracefully and elegantly.

Newest member of the Falcon family of business jets, the Falcon 900 trijet is a fuel-efficient, widebody aircraft, designed to travel the world in three-engine safety.

Timepiece

There are watches and there a watches. Fine watches, exce tional watches, expertly crafte and precision perfect fetch the kir of prices associated with state-of-the-a collectibles in the marketplace.

Take Audemars Piguet, for exampl with its stirring, more than century-o watchmaking tradition and its mast watchmakers who ply their precision trade in the village of LeBrassus, in the p ture pretty Vallee de Joux, Switzerland. A Audemars Piguet pocket watch known the Grande Sonnerie was an electrifyi attraction at the 1889 World Exhibition

Two top of the line, superbly crafted, Audem Piguet watches.

Paris only 14 years after the firm w founded by Jules Audemars and Edwa Piguet. Mechanically sophisticated, wit delicate chime, the Grande Sonnerie c on request, strike hours, quarters and m utes; in a sense it heralded, following Paris triumph, the coming attractions Audemars Piguet watches. Today it s for the princely sum of $150,000—18 ka gold, of course—a true museum pie and one which changed the history watchmaking.

Since the introduction of the Gran Sonnerie, Audemars Piguet craftsm have advanced the art of meticulous, p cision watchmaking with such beauties the Grande Complication, the top of line 18 karat gold pocket watch that ret at $200,000; it has 416 parts that activ 12 functions, including a perpetual cal dar that indicates the day, the month a the exact date up to the year 2100. A hig unusual pocket watch called the Skele (it's actually transparent) is price rang from $14,000 to $35,000. The impec ble, diamond-adorned Perpetual Cal

tXt #0

It takes $75 to play.

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At Sheraton, we've always asked our employees to try to imagine themselves in our guests' shoes.

But even we were a bit surprised to hear about the Sheraton manager who gave the shoes he was wearing to one of his guests.

It seems that the guest was about to go on a job interview when he realized that he had forgotten to pack shoes to go along with his suit.

Having nowhere else to turn, he sheepishly called the front desk. And discovered, as luck would have it, that he and the manager had the same shoe size.

So the manager exchanged his shoes for the guest's sneakers. And we're happy to report that the interview was a success.

Sheraton employees are trained always to remember the little things that make such a big difference.

So although we may be a large, worldwide hotel group with over 500 properties in 62 countries, there's one thing a Sheraton employee never loses sight of: when it comes to our guests, little things mean a lot.

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This true story took place at Industry Hills & Sheraton Resort, City of Industry, California. © 1987 The Sheraton Corporation.

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Sheraton at Redondo Beach	$85.00/79.00
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Baltimore	
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Sheraton Boston Hotel & Towers (Main)	$125.00/99.00
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St. Louis	
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East Rutherford	
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NEW YORK	
New York	
St. Regis Sheraton Hotel**	$175.00/140.00
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Salt Lake City	
Salt Lake Sheraton Hotel & Towers (Main)	$59.95/49.95
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**Family Plan limited to one child only at the St. Regis Sheraton Hotel

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etches $39,500, the elegantly austere er pocket watch (also 18 karat gold, the Perpetual Calendar) is yours for 50. Audemars Piguet made news n they introduced the line of Royal Oak watches for men and women that sformed steel practically into a pre- s metal. The octagonal-shaped beau- can be had for as little as $3,000 's watch) up to $99,000 (lady's with ralds and diamonds).

"We are the specialists of the special- in watchmaking," proudly reports rd Ditesheim, national sales manager demars Piguet. "And the men's col- n contains some of the most unusual es in the world today, whether they're plicated or non-complicated." sheim firmly believes Audemars et is "ahead of everybody else when it es to the styling of watches." With only watchmakers producing a maximum ,000 timepieces a year, little wonder Audemars Piguet has a peerless e of...well, timing. Incidentally, their ogues are exceptionally handsomely ated.

Spinning Wheels

oreign cars have long given Detroit a run for the customer's money—that's hardly news—but when a foreign car maker with a traditional line onservative models chooses to enter uxury market and go up against the sics with their sterling reputations—s real automotive news. It was made past year when reliable, dependable of Sweden came on the up-market its luxury two-door coupe, a $35,000 d Touring knockout almost universally praised by the hard-to-please automotive critics, and favorably compared to such ace marques as Mercedes, BMW and Jaguar—where Volvo is keen to compete.

Call the Volvo 780 the Swedish car with the Italian breeding: it is the effective collaboration of the design teams of Volvo and Bertone of Italy—the demanding quality standards of Volvo engineering combined with Nuccio Bertone's sense of form and sleek comfort. The 780 modifies the characteristic 700 line with a slightly different profile—a rakish roofline, sculptured lines, a feisty stance. A V-6 engine driving through a four-speed automatic transmission provides the zoom of power. The Swedish-Italian engineering-cum-flair partnership has also gussied up 780 with such high-quality accoutrements as form-fitting, sumptuous leather seats, interior elm burl trim, a state-of-the-art stereo-cassette system with four speakers, automatic climate control system, central locking system and an electronic moon roof.

Joseph Nicolato, President of Volvo Cars of North America, is a strongly customer-oriented automobile executive who proclaims the Volvo message—what might be called the DRSC factor: Volvo's legendary reputation for durability, reliability, safety and comfort. These are the traditional "Volvo values," Nicolato states, and adds: "Successful automobiles in the luxury car segment have to exhibit style, grace and quality," and naturally he believes the 780 excels in all three.

Considering the year the Volvo 780 has had and anticipating a sale of 2500 units in 1988, the newest entry into the competitive luxury car market seems to be in a form-fitting seat of its own, blissfully enjoying the Swede smell of success.

's bid into the luxury market is the 780, a scintillating marriage of Swedish engineering and est in Italian design, by Bertone.

Lady Chocolate

The Belgians have given the world a number of distinguished gifts: the paintings of Rubens, exquisite Gothic architecture, the finery of Belgian lace, the best *frites* made anywhere including France, glittering crystal. And chocolates—ah, chocolates, that many a sweet tooth hound would gladly O.D. on. If the brand is Godiva, the chocaholic is in seventh heaven; knowing travelers discovered them in Brussels long before they began to be seriously imported into the U.S. in 1966. Today Godiva chocolates dominate the chocolate luxury market.

A plateful of Godiva chocolates in their distinctive shapes makes for a toothy dessert, washed down by a dry, perfect champagne.

Godiva fans pay modestly for a one-pound *ballotin* and some even shell out $450 for a 20-pound golden-boxed gift assortment—a present that earns a drool of gratitude. In the signature gold-packaged *ballotins* are assorted, distinctive shapes and sizes—the foil-wrapped grand mints resembling gold coins are an overwhelming favorite and are sometimes found on your pillow in classy hotels. The varied flavors, fillings and moldings elevate Godiva from mere candy to symbols of elegance. As does the velvety texture—the chocolate coating is thick enough to enjoy before teething into the fillings, creamy, praline or cordial-flavored.

The best has to use the best ingredients; otherwise it's just another ultra-sweet chocolate. Godiva uses only real butter, fresh cream and absolutely no preserva-

tives. The chocolate liquid derived from cacao pods is "conched"—slowly stirred until each chocolate particle turns out round, smooth, enveloped by even layers of cocoa butter, and emitting its true rich, natural flavor. Founder Joseph Draps' legendary Belgian "essence" is added to produce Godiva's singular, special flavor, and then the chocolate is shell-molded into all those traditional shapes—golf balls, seashells and Easter eggs, for example—and filled with creams, nuts, pralines, liquers, truffles. The latest temptation, for those who will try anything once, is an ivory cordial containing a blueberry puree filling.

Little wonder that Tom Fey, President of Godiva Chocolatier, can claim that "Godiva continues to hold its number one position in the luxury chocolate market by maintaining the excellent quality and taste of its chocolates and creating innovative new products."

How sweet it is...

The Stouffer Challenge

No doubt about it: the luxury market in hotels and restaurants has increased dramatically and excitingly over the past few years. Americans have become more and more choosy, more sophisticated, more widely traveled, more knowledgeable, and even more demanding and challenging in their tastes. This holds especially true for top businessmen, senior vice presidents, and CEO's who make the business world hum 24 hours a day in what has turned out to be Marshall McLuhan's global (business) village. They travel frequently and they have become connoisseurs of the art of comfort; they expect the best, demand the best, appreciate the best and they don't mind paying for the best. The run of the mill, the average, the not quite the top—pure anathema. When you pay top money, you're entitled to top value.

One modest chain of hotels that took a deep breath and chose to go up-scale and compete with the best in its field—Hyatt and Westin, as the case may be—is the growing Stouffer organization, with 31 holdings (in the continental U.S., Hawaii and Caribbean). The impetus came six years ago with the appointment of their chief executive, William N. Hulett, who is recognized as the superdynamic and visionary leader who's been responsible for Stouffer's phenomenal growth.

At the time Hulett took command, Stouffer was primarily known for its food business, an attraction that appealed to Nestle, the parent company that bought it, and only secondarily for its room service. Under Hulett's leadership, Stouffer has

Stouffer Cottonwoods Resorts Scottsdale, AZ

joined the luxury market with a competitive vengeance and now owns or operates (usually with an equity position) four kinds of deluxe hostelries:

- First-class airport Concourse hotels.
- Plush major city hotels.
- Plush suburban hotels.
- Luxurious resorts.

To Hulett's immense satisfaction, and that of his hardworking, dedicated staff, 25 of its 30 hotels and resorts rated to date by the AAA have won either the coveted four- or five-diamond rating.

The recent opening of the 673-room Stouffer Hotel in Nashville, which cost $69 million, dramatizes the company's commitment to the highest levels of service and standards of quality in innkeeping—that's the word and the pledge from the boardroom. Rising 31 stories adjacent to the city's convention center, with its top six floors reserved for office space, the Stouffer Nashville incorporates the features that have become the company trademark: tastefully and conservatively furnished rooms and suites, complimentary in-room movies, complimentary coffee and newspaper with your wakeup call, indoor swimming pool, whirlpool spa and sauna, fully equipped health club—plus Club Floors on the top two levels with concierge service, a private lounge where you can have a complimentary continental breakf and cocktail hors d'ouevres. There's go met food in abundance at the Comme Street Bar and Grille, and for lighter f there's the Bridge Lounge and Deli.

Want to throw a party? The Stouf Nashville has 31,000 square feet of me ing space, an out-size grand ballroom a 14 other meeting rooms.

Scheduled to open in the near fut and carrying the Stouffer dream as well its banner are the 622-room Stouf Harborplace in booming Baltimore a the 560-room resort to be erected Indian Wells, California, the heart of Pa Springs country.

Bill Hulett is a crackerjack execut with strong opinions on the business loves and he doesn't hesitate to expre them.

"A successful hotel company m continually develop the *science* of hos tality, management and the *art* of bei hospitable."

"There are two categories of ho people. Some know how to run a hotel a make money. Then there are those w know how to make money but not h to operate a hotel. They are either go managers or good financial types. I s modestly that I think we do both well."

"This is a service business and never forget it. I like to think that Stouf will be the Hyatt of the 90s."

Conrad Hilton once said that succe in the hotel business depended on thr things: "location, location and locatio Bill Hulett agrees that an over-riding co sideration in taking on new properties whether Stouffer can successfully co pete to win one of the desirable four-star five-diamond ratings.

The way Stouffer is going, it certai seems to be headed for the stars—a mantine stars.

Stouffer Waiohai Beach Resort

THE KIND OF VOLVO YOU DESIGN WHEN YOU'VE BEEN DESIGNING FERRARIS, LAMBORGHINIS AND MASERATIS ALL YOUR LIFE.

The Limited Edition Volvo 780 Coupe by Bertone of Italy.

VOLVO
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Quixotic Resort

If a modern-day man of La Mancha has a dream, what does he do to fulfill it? He builds a resort, of course—a luxurious, members-only enclave attracting top people who are drawn to relax and disport themselves in sybaritic surroundings of intense privacy, where nothing is too good for the clientele and only the best will do. And where will one find this blue heaven? In Palm Springs.

The man with the dream is Ken Irwin who, with his wife Suzanne, built the contemporary La Mancha into a luxurious lifestyle resort that Don Quixote himself might indeed take time off in from tilting at windmills. Here is a Mediterranean village with a Spanish-Moroccan architectural design, one- to three-bedroom villas with private pools (skinny-dipping encouraged), and even some renting with private tennis courts. Villa decor is a cross between a furnished luxury home and a fully staffed desert condominium. If you want total privacy at mealtimes, you can call on the resident cook to whip up a gourmet meal in your villa kitchen. You can swim publicly in a lavishly landscaped master swimming pool with a sparkling waterfall, play day or night-time tennis, exercise in the central clubhouse health spa, and play golf at any number of courses within driving distance. For shopping forays, La Mancha graciously provides you with a Chrysler convertible Le Baron.

Guests at La Mancha have a choice of relaxing in their own swimming pool, or disporting in the 65-foot free-form clubhouse pool with waterfall.

For those glitzy shopping forays into Palm Springs, La Mancha provides guests with complimentary Chrysler Le Baron convert

Little wonder that Jerry Hulse of *Los Angeles Times* awarded La Man five stars; that the *New York Times'* L Rosellini commented after a recent visi your fantasy is to live like royalty, sta La Mancha."

Membership is by invitation c based on an application that is in based on a unique demographic mem advisory system. Non-members get to La Mancha facilities three times as a g of a member or management bef applying for membership.

Oh, to dream that impossible drea

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Luxury Towers

Has anyone out there not heard of Sheraton? It has to be one of the most easily recognized names in the business world, a giant global network of almost 500 classic to contemporary hotels, inns and resorts, with even more planned for the years to come. If the sun has set on the British Empire, it certainly hasn't on Sheraton. Pick out a city almost anywhere in the world and you're likely to find a Sheraton—New Delhi, Rio de Janeiro, London, Munich, Jerusalem, Duwait City, Halifax, Honolulu, Harrisburg, Ashville, to cite a handful at random. In Florida alone you can find the Sheraton name in 32 places. Sheraton operates in 58 countries, and with another 58 inns and resorts on the drawing boards the Sheraton network will soon extend to 72 countries.

Sheraton statistics are mindboggling. By last August 2, the chain was offering 139,232 guest rooms, able to accommodate 21,000,000 guests annually, and prepared to serve more than 136,000,000 meals. This amazing string of caravanseries was run by a worldwide staff of approximately 100,000 employees.

Sound like the lower end of the hospitality scale, mass rather than class? Not all of these hotels are faceless high rises catering to hoards of anonymous guests shuffled in and out like economy airline passengers. In the chain, to pick at random, are such gems as the immensely dignified Sheraton Carlton in Washington, D.C. (250 suites and rooms), the garden-accented Huntington Sheraton Lanai and Cottages in Pasadena, California (107 suites and rooms), and the magnificent Sheraton Palm Coast (Florida) Resort with its accent on outdoor sports (130 suites and rooms).

Ranging abroad, the traveler can be pampered at the Sheraton Herradina Hotel and Spa, in San Jose, Costa Rica (150 rooms, 27 suites); at the Atallah Sheraton in Riyadh, Saudi Arabia (130 rooms, 20 suites, 32 villas) where they salaam but don't expect a cocktail lounge; and at the award-winning Sheraton Ayers Rock Hotel, near Ayers Rock, the extraordinary red-tinged geological formation, with 232 rooms.

A Sheraton first is the modern, upscale and deluxe 1007-room Great Wall Sheraton in Beijing, the first hotel in the People's Republic of China to carry the name of an international hotel company. The Towers should be in full operation by March 1988.

The point of Sheraton is its diversity; the challenge is to provide the extras, the deluxe touches for which the knowing traveler today is looking. The challenge seems to have been met with the inauguration of the Sheraton Towers concept, a bold departure for the chain and one that places it squarely in the luxury category. Take the Sheraton Boston Hotel and Towers, where it all started. The Towers occupy the upper four floors, a sort of luxury hotel within a hotel, with 106 individually decorated guest rooms and suites. Private elevators whisk the guest up to the 29th floor, where he is offered a glass of champagne as he checks in at a mahogany desk. The receptionist informs the guest that his butler will soon call on him in his room. And the rooms are magnificent with custom-designed carpeting, antique and one-of-a-kind furniture, fresh flowers and spring water, hideaway clothes lines, satin-padded hangers for every wear and an amenity basket. The Sheraton people want guests to feel they're staying in a private home rather than at a hotel. It's quiet, restrained dignity, and Sheraton has the awards to show for it.

The splendid variety of Sheraton: the ornate lobby of the refurbished Jefferson in Richmond, Virginia; Dining al fresco on the terrazza at the Sheraton Towers, Singapore.

Now the butler arrives with a fre bucket of ice and a plush terry robe. request he will do light pressing, mendi shine shoes, run errands, even walk yo dog. After your wakeup call he will ar with coffee or tea before breakfast is tak in the Towers lounge. If one has co here to work, the Tower Boardroom is at disposal, with a mahogany table, conf ence telephone, personal computer a projection screens. No charge.

Robert B. Collier, senior vice-pre dent of marketing for Sheraton, welcom the chain's commitment to the upsca market. "The only real market for the lo term is the four- and five-star market," says, and adds: "The luxury end of t market stands up against the cyclical p terns of innkeeping better than any oth end of the market."

Collier points out that two hotels—t Grand in Washington, D.C. and the Gra in Los Angeles—epitomize what Sherat is focusing on: "The quality of the bra new products which we want to be the b in their area in the marketplace."

"We want to be the Mercedes of t hotel industry," Collier says fervently, "t brand name that stands for quality. A some Mercedes can even compete w Rolls Royce."

So the Towers are Sheraton's willi and enthusiastic attempt to join the co petition for the luxury market, and they w be worldwide and easily identifiable.

The variety and distinction of She ton inns, hotels and resorts recent prompted a group of executives to pond which was the best in ten different categ ries. After much head-spinning here what they came up with:

The best hotel experience: Sherat Towers Singapore, and Sheraton Towe Brisbane, Australia.

The best restaurant: Fullers, Seatt Washington.

The best view: Sheraton Hon Kong, and Sheraton Copa Beach, Rio Janeiro.

The best romantic view: Sherat Princeville, Kauai, Hawaii.

The best soup served: Sherat Frankfurt, Germany.

The best hotel design: Sherat Qatar, United Arab Republic, and Sherat Ayers Rock, Ayers Rock, Australia.

The best golf course: The Sherat PGA.

The best Chinese food: The Gre Wall, Beijing, China.

The best small hotel: The Belgravi London.

The best airport hotel: Sherat Frankfurt, Germany, and Heliopolis Sher ton, Cairo.

THE BOATS OF CIGARETTE RACING TEAM

eing number one in any product is easy to boast about, but pretty hard to prove. An athlete can look to his feats, a politician to bills he hed through. But when it comes to ning that what you make is better than t your competition makes...well, you'd er have solid proof handy.

But when a product is launched from op and never leaves that lofty position day one, then claiming to be the best es easier.

In 1969 the new Cigarette Racing m announced its first baby—a 36-foot e of sea machinery that for years ld instill sheer terror into the world's off- e powerboat racing circuits.

The new hulls proved to be nearly un- table, running up 191 major offshore ries, more than their two closest com- ors combined.

There weren't to be many of them, certainly they weren't cheap, but the nor for Cigarettes grew and grew. ay, whenever anyone thinks of fast ts that run in blue water as though they e born there, the name Cigarette es across the mind as if it had been rammed.

Once out of the mold Cigarettes, ther new or used, never sit still long. a vintage Mercedes but unlike old sol- s, they never fade away. Somewhere rly every hull produced by the Florida is still functioning.

It may gall the competition, but it's an capable fact: a used Cigarette, more n than not, sells quicker than a spank- new Brand X, Y or Z!

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35' Cafe Racer®

Despite energy crises, economic slumps and dozens of imitators, more hulls ranging from 20-footers to awesome 38-foot performance boats are being produced by Cigarette Racing Team than at any other time in its illustrious history.

And Cigarette got another terrific boost when Jeffrey I. Friedman, the Cleveland, Ohio entrepreneur, bought the company in 1984. One of the new owner's first moves was to hire businessman Bob Gowens as president. Gowens had won his spurs as an ace troubleshooter specializing in helping international industrial gi-

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s climb out of their money holes. Once ne helm in Miami Beach, he searched a sales and marketing director who ld add the right sales flair to a firm that ady owned an image of having the sex- non-human creatures on water. He nd him in Craig Barrie who, as vice-sident of sales, helped Faberge Brut's nts make millions of earthlings more eptable to millions of other earthlings.

Val Jenkins, formerly with Black Fin Mako, both highly respected boat-ders, was brought in as general man-r. Within weeks the new team had arette off and humming at a pace never n before.

The team hit the jackpot right off with a k 35-foot model called the *Cafe Racer* ned after the social set who used to e from cafe to cafe for kicks and cock-s. With its rounded foredeck and all-und good looks, the *Cafe Racer* ned the powerboating world.

Meanwhile, management was soon ating a classic, the racebred 38-foot *Gun*, a hull that many connoisseurs eve is the best roughwater hull in exist-e.

Not content to rest on Cigarette's new nd laurels, and with sales moving kly on the *Cafe Racer*, the firm then ched still another hull—the 31 *Bullet*, targeted to bag a piece of the action that previous Cigarette regimes had left to the competitors. Now Cigarette was firmly launched in the $100,000 fast boat market.

Gowens points to the editor of a top boating magazine who pretty well summed up the company's products when he eloquently reported after a test ride in one of its models:

"It was not how fast we went but how we went fast. There were no weird vibrations, no clunks or crackles, no jiggling of seat components.

"Just solid, solid, solid.

"This is a speedboat with yacht grade construction and fitments."

A great compliment, which would have put Gowens at ease...if he and his team weren't huddling on still another and newer creation.

Cruising

The best cruise ships, in the experience of Antoinette de Land (her book, *Fielding's Worldwide Cruises*, is the best and last word on the subject) are "floating capsules of contentment." None fits the description better than the Greek-owned Sun Lines fleet, with its flagship, five-star rated *Stella Polaris*, accompanied by the *Stella Maris* and *Stella Oceanis*.

The yacht-like Stella Maris *of the Sun Lines fleet at berth in the dazzling port of Hydra in the Aegean Sea.*

Cruising cognoscenti give top rating to the Sun Lines triad for their luxury, cuisine, warmth of service, their unusual, even exotic itineraries and their cheerful and attentive crews.

With accommodations for 620 passengers (329 cabins) the *Stella Solaris* operates on a full schedule with an all-Greek crew: Aegean cruises run April to October; the follow-the-sun three-week cruise from Piraeus to Port Everglades in late November; 12-17 day cruises from Christmas to March ply South American waters; then it's

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Your world-class resort in the center of a world of fantasy. Directly across from Sea World® and just 15 minutes from Walt Disney World® (EPCOT® Center and Magic Kingdom®), the resort puts you in the heart of it all, yet you're secluded in luxurious comfort. Your guest room is large and beautifully appointed, a gigantic pool awaits your pleasure, specialty restaurants tempt your appetite, and three unique lounges entertain you. It's the perfect place of your own after the sights and sounds of a busy day.

Stouffer Cottonwoods Resort. Scottsdale, AZ.

Wood-beamed ceilings and casita styling let you embrace the magic of the great Southwest the moment you arrive in your suite. You'll relax on your own private patio with spa and a breathtaking view of Camelback Mountain. Swim in the pool, exercise on the courts and jogging trails, shop at the world-famous Borgata Shopping Village. This executive retreat is your cool oasis of luxury in the splendor of the Arizona desert.

Stouffer Wailea Beach Resort. Maui, HI.

Elegant guest rooms with private lanais offer gorgeous vistas of the ocean and Mt. Haleakala at this tropical dream come true. Stroll along your own private beach or through lush tropical gardens. Dine in casual comfort on the Palm Court's terrace, or enjoy unparalleled seafood specialties at the award-winning Raffles' restaurant. It's a AAA Five-Diamond resort for the sixth year in a row. And it's all you dreamed Hawaii could be.

Stouffer Waiohai Resort. Poipu Beach, Kauai, HI.

Set on beautiful Poipu Beach, this oceanfront resort caters to your every need and pleasure. Beautifully decorated guest rooms and suites offer ocean and mountain views. Six tennis courts, three swimming pools, a complete health club, and the challenging Robert Trent Jones Jr. Golf Club nearby provide abundant recreational opportunities. Superb dining is offered in three delightful restaurants. Also available nearby is the beautiful Stouffer Poipu Beach Resort.

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the annual Primavera (spring) trip across the Atlantic and through the Mediterranean.

The smaller *Stella Oceanis* (159 cabins, 300 passengers) and the very popular, yacht-like *Stella Maris* (93 cabins, 180 passengers) specialize in Mediterranean and Aegean cruises ranging from 3-4 days to a 14-day "Voyage into Antiquity" (*Stella Maris*) that is an informative and gratifyingly romantic excursion into the secrets of Turkish and Greek archeology.

Alex Keusseoglou, Sun Lines vice-president and son of the founder of the eminent cruise line, is pleased that his ships tend to attract an "older, wealthier clientele who enjoy exotic ports of call and who are frequently repeat customers." He points with pride to Sun Lines' special itineraries: "We try to give the passengers something more than sun and relaxation."

Where's the Beef (eater)?

Gin, firmly stated Elize Doolittle in George Bernard Shaw's *Pygmalion,* was mother's milk to her, thereby indicating the English fondness for a spirit that has played a significant role in its history and mores.

Gin's origins go back to the early seventeenth century, when one Dr. Sylvius, also known as Franciscus de la Boe, a University of Leyden (Holland) physician, cooked up a distillation of alcohol in the presence of the juniper berry. It was intended as a remedy for fever, with side medicinal benefits. Early gin was a heavy, strong flavored spirit called *genevre,* after the French word for the juniper berry. English soldiers who fought in the Low Countries took a liking to the spirit and later, back in England, they began to refine the genevre spirits and called the result simply gin. Enter James Burrough, a pharmaceutical chemist, who early in the last century wished to distill a gin of more refined character and delicate taste. What helped him in his experiments was the appearance of a brand new continuous column still, which produced the clear spirit needed for a delicate gin. The neutral spirit was then redistilled and in vapor form was then passed over a bed of juniper berries, angelica, calamus, orris root and other secret ingredients (and secret still to this day).

Burroughs sagely chose the name Beefeater for his gin, in honor of the Yeoman Warders who guarded the Tower of London, William the Conqueror's original bodyguards. Beefeater is derived from the Norman French word *buffetier*—guarding the king's table or buffet—which a Beefeater in actuality was doing as a member of the world's oldest existing royal bodyguard.

Distilled and bottled in London, Beefeater is the largest imported gin in America.

What makes Beefeater exceptional? Easy, says Richard Shriner, senior vice-president and director of marketing for Kobrand, importer for Beefeater. "The fact is that Beefeater is the most popular imported gin because the producer—James Burrough in London—and the importer, Kobrand, which has imported it for 30 years—have together had only one corporate policy: without exception a dedication to quality, of dealing only with the best."

Master Distillation

French family names associated with premier products come trippingly to mind: Vuitton, Baccarat, Peugeot and Michelin, for example. One of the oldest and most distinguished names is Remy Martin, a company that started distilling cognac in 1724 and today is universally praised for the care, expertise, and finesse that go into the making of its superior amber liquids.

Cognac happened by an accident—an economic accident. Winegrowers near the banks of the Charente River in southwestern France had to distill their wine before shipping it to overseas markets. The distillation, called *eau de vie,* was then either drunk as brandy or cut with water to turn it back into wine. In 1701, after France entered the War of the Spanish Succession, there was a sudden drop in the overseas sales of brandy. So the hard-headed, practical Charentais distillers decided to store the liquor in oak casks made from the Limousin forest, 95 miles east of the city of Cognac. And there it rested for years, forgotten but not lost: the liquid had aged during those years in the thick-veined, tannin-accented Limousin oak casks, permeable to air, impermeable to water. The entranced and gratified distillers soon learned, after tasting the liquid, that it had considerably improved. Gone was the raw, fiery taste; instead, the liquid had turned into a lovely golden-amber color, with a mellowed flavor and lovely bouquet. Vo The miracle of cognac aged in oak cas was born.

Today Remy Martin products ste from grapes grown in one of the two exc sive districts of the Cognac region—t Grande and Petite Champagne. Gra selection is merely the first step of a fi stage process that a Remy Martin exec tive lists as among the special qualities th separate Remy Martin cognac from others in terms of craftsmanship and quali

- Remy Martin's double distillation pro ess, leading to eau de vie, is a technica complicated method of distillation pe formed by knowing, expert and accom plished cellarmasters.
- Remy Martin's Limousin oak casks a constituted without nails or glue.
- Only 350-liter casks are used for the a ing of the eau de vie.
- Remy Martin cognacs mature, as th have for more than 260 years, in Charen double stone cellars.

Rich, complex and sophisticated, Remy Ma XO is appreciated by connoisseurs for its delectable aftertaste.

The results in the marketplace a Remy Martin V.S. (Very Superior); Re Martin V.S.O.P. (Very Special Old Pa which comes in the familiar and distinct frosted green bottle; Remy Martin XO, w its delectable aftertaste (connoisseurs c it "long in the mouth"), packaged in an e gant decanter; and Remy Martin's ultima achievement, Louis XIII Grand Cha pagne, which comes in a beautiful Bac rat crystal decanter (no light can penetra it) and exquisite red box.

Napoleonic

"Claret is the liquor for boys; port men; but he who aspires to be hero must drink brandy."

So proclaimed Samuel Joh son, and judging alone by Winston Ch chill's fondness for brandy, the opinionat Scottish writer was right on target. Joh son, of course, used the word brandy in

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widest sense—to denote any spirit distilled from wine or fruit juice. Thus all cognac (the subject herein) is brandy, but not all brandy is cognac. For brandy to be cognac, it must come from the Cognac region of France, specifically the 225,000-acre Charente Valley in the fertile southwestern region of the country, close to the Atlantic Ocean and the Spanish Border. Cognac has to meet strict guidelines and standards of quality. The wine, for example, must be produced from specific grape varieties that thrive in a chalky and heavy limestone soil, in a mild and humid climate, and in sunlight with ultraviolet rays.

So: all cognac is brandy; but not all brandy is cognac; and, especially, not all cognac is Courvoisier, the heralded cognac of Napoleon. The tie with the emperor dates from 1811, when Napoleon visited the Courvoisier warehouses in Paris; later, in 1869, Courvoisier was appointed Purveyor to the Court of Napoleon III (Bonaparte's grandson).

For Courvoisier to maintain its traditional standards of excellence, its grapes must come from the finest *crus*—or vineyards—of the Charente Valley. To produce cognac the liquor is distilled not once, but twice; the distilling must take place in a Charente Alembic; a hand-made copper still vitally affects the current taste and aroma of cognac. The young cognac, as it is called, or *eau de vie,* water of life—then is aged in barrels in which the staves are made from oak trees 75 to 100 years old. Then it's up to the *maitre de chai*—the cellarmaster—whose superior sense of palate, taste and uncanny ability at blending dictate what will eventually be poured into a bottle of Courvoisier.

Whether VS (Very Special), VSOP (Very Special Old Pale), XO or Napole Fine Champagne, Courvoisier excels bouquet, finesse, lightness of taste a smoothness. The secret lies with the e ceptional expertise of the wine growe barrel makers and distillers, who are exc sively chosen as are the finest *eau de* from the finest *crus*. And, as a Courvois spokesman says proudly, "it's quality co trol all the way."

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Great Family Fortunes

Some major U.S. fortunes have already been so divided among heirs that no individual among them qualifies for The Forbes Four Hundred, yet the families either show enough cohesion or are widely enough thought of as families of great wealth to merit consideration as entities. Those examined in our research follow. The listing is extensive but not intended to be as complete as our listing of the richest individuals in America. Think of most as the significant echoes of persons who would have been members of The Forbes Four Hundred list if it had been compiled in earlier decades.

Annenberg sisters

NYC, Palm Beach. Five surviving daughters of Moses Annenberg, tough, resourceful owner of newspapers, other enterprises in Al Capone's Chicago. Moses moved to Philadelphia, built Triangle Publications *(Philadelphia Inquirer, Daily Racing Form)*, willed to children (d. 1942). Son Walter H. *(which see)* took over, launched phenomenal *TV Guide, Seventeen, Good Food.* Most distinguished sister, Enid (Mrs. Ira Haupt), 81, editor of *Seventeen* 1953-70, author of teen etiquette books. Janet (Mrs. James Hooker), 83, is on White House board for decorative arts. Others are Esther (Mrs. Leo Simon), 86; Lita (Mrs. Joseph Hazen), 78; Evelyn (Mrs. Melville Hall), 76. Sisters hold combined 11% stake in Triangle (also share in trust income). With real estate, other holdings worth over $385 million.

Barbey

Calif. et al. Heirs of John Barbey, who founded Reading Glove & Mitten Manufacturing Co. with 5 partners 1899. Bought out partners 1911, changed name to Vanity Fair Mills (first product: silk gloves). His son John "fanatic for quality," early fashion designer women's lingerie: "He just loved beautiful things." Vanity Fair synonymous with high fashion 1930s, 1940s; pioneered brand-name lingerie merchandising; first to show off lingerie at fashion shows on live models. Became VF Corp. 1970; now nation's largest publicly traded apparel co. (Lee, Wrangler, Jantzen, etc.). John died 1956, left stock in trust, handpicked outside management. No Barbeys now with company; grandson Kelly: "They're all just living it up." 16 family members share trust holding 19% VF Corp. stock worth $540 million.

Belk

Charlotte, N.C. Descendants of William Henry Belk, who opened general store with brother John in Monroe, N.C. 1888. Did not extend credit; acquired credit-granting competition at terrific discounts during Depression. Opened 125 stores 1929-40. Now about 25 family members share equity with local management of 350 stores throughout Southeast; arrangement provides incentives, responsiveness to local wants. Known for eccentricities and family feuds: William Henry Jr. ousted as chairman 1950s, tried to thwart brother John's mayoral bid 1969. Failed; John mayor until 1977, now chairs company. Family fortune thought to exceed $350 million. "Pure southern gothic."

Belz

Memphis. Three generations in real estate. Philip, 83, came to U.S. from Austria 1910. Partner with brother-in-law in dry-goods business. Banker friend, noting some extra land Belz had, suggested he let bank show him how to finance it with view to development. From that acre to real estate empire. Started in Memphis, over 750 tracts Memphis' Shelby County alone. Expansion into Nashville 1970s. Rarely sells, few joint ventures, little debt. Early developers industrial parks. Also motels (Holiday Inns), shopping centers, office buildings, apartments, farmland, off-price outlet malls across U.S. "Uncle Philip" to employees; others know him as "damn hard negotiator—but always keeps his word." Frustrated opera singer: friend Robert Merrill told him to forget it. Two sons killed plane crash 1963; third, Jack, 59, now runs firm with third generation. Jack's son, Marty, expected to fill shoes. Fortune believed to exceed $300 million.

Block

Toledo, Pittsburgh. Father Paul Sr. assembled newspaper chain starting 1915; forced to sell most of it during Depression. Sons, both Yale grads, stepped into business after father's death 1941. Paul Jr. was research chemist and teacher while running *Toledo Blade* (d. 1987); 2 of 3 sons remain in business. William: 72. Married; 2 sons, 2 daughters. Started out at *Blade:* took helm at *Pittsburgh Post-Gazette* 1946, supervises editorial policy. Brothers built Blade Communications (revenues $189 million) currently 3 dailies, 4 small TV stations, cable (128,000 subscribers); jointly owned by their families. Combined net worth at least $425 million.

Brown

Louisville. Descendants of George Garvin Brown. Distilled Old Forester whiskey with cousin 1870. Company became Brown-Forman 1890. Produces Jack Daniel's, Bolla and Cella Italian wines, Korbel, brandy and champagne; Southern Comfort from 1979, Lenox China 1983 (initiating poison-pill defense); California Cooler 1985. W.L. Lyons Brown CEO since 1982. Owsley Brown II president. "Planned nepotism" company policy with one requirement: family member must hold at least 2 degrees before joining company. "We husband our resources carefully." Family stake in company valued at $630 million.

Bullitt

Broadcasting. Seattle. Pioneer Charles D. Stimson amassed Seattle-area real estate, timberland early 1900s (d. 1929). Daughter Dorothy stepped in to manage properties on death of husband A. Scott Bullitt, top state Democrat, 1932. Bought Seattle radio station out of boredom 1947, region's first TV station 1948: "There were only 6,000 TV sets in the Northwest." Dorothy, 95, ailing *(see Dropouts)*; daughters Priscilla (Patsy) Collins, 66, Harriet S. Bullitt, 62, help run King Broadcasting: now 5 TV stations, 6 radio, cable. Patsy: "Someone decides they want to buy us almost every week. Those letters go right into the wastebasket." Son Stimson, 67, lawyer, runs local real estate company but has no share in family's 77% King Broadcasting. Including real estate, family worth at least $380 million.

Cabot

Boston area. Descendants of shipbuilder John Cabot, who moved to Mass. from isle of Jersey 1700. Family involved in privateering during American Revolution; amassed

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wealth through European, West Indian trade ventures, marriage. Godfrey Cabot (nicknamed "Uncle God" for imperious demeanor) founded Cabot Corp. 1882; now world's leading producer of carbon black. Profits, revenues sagging because of depressed energy/oil market. Three first cousins now on board: Louis Wellington Cabot, 66, retired as chairman 1986; John M. Bradley, 64; John G.L. Cabot, 52, senior vice president. Distinguished family: Henry Cabot Lodge, former senator, U.N. ambassador; Walter Cabot (manages Harvard endowment fund). Over 100 family members including sea captains, merchants, doctors, lawyers, journalists, etc: "We're basically a very bourgeois family." Family shares 35% Cabot Corp. stock, other assets, worth $450 million.

Campbell

Hawaii et al. Free-spirited teenager James Campbell left Ireland as stowaway aboard schooner 1839. Arrived NYC to work for brother. Survived shipwreck, cannibal attack on voyage to Hawaii 1850. Set up sugar plantation, pioneered artesian well. Hoarded land others considered worthless; soon dubbed "Kimo Ona-Milliona" (James the millionaire) by islanders. Estate today owns 80,000 acres in Hawaii (incl. 13% of Oahu), also office buildings, shopping centers on mainland. Some 14 heirs share income. Last surviving daughter, Beatrice Campbell Wrigley, died 1987; thus trust dissolves in 2007. Over 35 relatives expected to share in distribution of estate which, because of advancing development, new valuation by managers, is now worth at least $600 million.

Cargill

MacMillan

Origin: Minneapolis. Founder William W. Cargill, son of Scottish sea captain. Born Long Island, moved west, set up Cargill, Inc. 1865, quickly overtook grain-trade competition. Neighbor John Hugh MacMillan married Cargill's daughter 1895, became company president when William died in 1909. MacMillans more active in what is now largest private company in U.S., one of world's largest grain traders (1986 revenues, around $35 billion). Third-largest boxed beef processor; steel mills. Company pushing for revamp of govt. farm policy: increase grain exports; keep prices up amid world oversupply. Cargill and MacMillan families own 85% company: 3 main branches hold 75% worth a shade under $2 billion, while other branches have 10% *(see individual Cargills, MacMillans, Keinath, Pictet).*

Carver

Muscatine, Iowa. Widow and descendants of Roy James (d. 1981), who discovered innovative tire retreading process while on business trip to Germany. "Cold bonding" method of attaching tread to tire casing battle-tested by Nazi General Erwin Rommel in African desert; Roy acquired rights, formed Bandag 1957. Quadrilingual Roy trotted globe in private plane seeking dealers, labeled "Rube Goldberg of tire industry." Bandag now leading manufacturer of tread rubber, retread products (1986 sales, $370 million). Also Iowa-based Carver Pump Co. Sons Martin, 39, Bandag CEO; Roy Jr., 43, heads Carver Pump. With mother Lucille, 69, family controls Bandag stock in trusts worth $300 million (though certain probate claims pending, incl. Roy Sr.'s mistress). Family remains low profile: "Let's say we're not actively seeking publicity."

Chandler

Los Angeles et al. Times Mirror Co. Flagship paper, *Los Angeles Times,* founded 1884 by Harrison Gray Otis (d. 1917). Publisher Harry Chandler (d. 1944) worked his way from clerk to chairman; helped Otis defeat rival paper 1880s. Married Otis' daughter, built real estate/media empire. Ambitious grandson Otis recently departed as editor-in-chief, leaving co. in hands of professional managers. Explanation given: "People want to stay on the same lane in the freeway, in the same safe cocoon. I don't." Currently works with disadvantaged children, other interests. Co. owns 9 newspapers, including *Newsday* and the *Baltimore Sun,* 10 magazines. Sold *Denver Post* 1987 for $95 million. In addition to Ruth Chandler Von Platen *(which see),* nearly 100 descendants share in trust worth over $2.1 billion.

Close

Fort Mill, S.C. Col. Leroy Springs founded 250-loom Lancaster Cotton Mill 1895, took over Fort Mill Mfg. Co.; second wife Lena first woman nominated for U.S. vice president, 1924. Son Elliott White Springs inherited 5 cotton mills from father 1931. Masterminded famed ad campaign: "A buck well spent on a Springmaid sheet" (caption below one ad: "I tested 60 models")—wowed them in 1950s. Died 1959; son-in-law H.W. Close took over, d. 1983; Springs Industries one of nation's largest manufacturers sheets, pillowcases, etc (1986 sales, $1.5 billion). Mrs Crandall Close Bowles, 39, sole family director: "When I first went on the board, there were two of us—my Dad and me—and the feeling was 'two is enough.' Now there is just me, and the feeling is 'one is enough.'" Nine Close relatives share 57% Springs Industries stock, 100%-owned Springs Co. (insurance, railroad, real estate) worth estimated $360 million.

Cohen

NYC area. Brothers Sherman and Edward quit William & Mary for men's clothing business in hometown Newport News, Va. With optometrist brother Mortimer opened Yonkers, N.Y. Oldsmobile agency 1949 before launching construction company 1954. Built, sold apartment buildings; switched to Manhattan offices 1970. Known as highly litigious, difficult: "The Cohens are the ultimate example of business as war." Sherman: "What do you expect us to be, Boy Scouts?" Currently building office tower around holdout tenant. Silver-haired Sherman, 64, is dominant brother, dealster; Edward, 69, construction chief, is known in industry as "Shut-up Eddy" for Sherman's manner of addressing him. Mort died 1976; his widow Estelle

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retains one-third interest in most properties. Family's real estate and other investments worth at least $450 million; Sherman claims much more: "That's so out of line it's ridiculous."

Coors

Golden, Colo. Descendants of Adolph Coors, German immigrant who founded beer co. with small brewery 1873; now fifth largest in U.S.; 8% market share (also large industrial ceramics producer). Single brewery (nation's largest) ensures beer conformity, high transportation costs. Grandsons William, Joseph, great-grandsons Peter, Jeff now run co. Headaches in recent years: Chairman Bill accused of racial slur for 1984 comment that blacks lack the "intellectual capacity to succeed"; Bill claims a "gross misquote." Vice chairman Joseph got attention with support of right-wing causes (recently gave $65,000 to Ollie North for contra supply plane). Company answered boycotts, protests with minority initiatives, ad campaigns; settled labor-backed consumer boycott 1987 with agreement to unionize brewery. Pete Coors: "You don't just flip the switch and see change occur. This is a long-range project." Through trust, family controls all voting stock, 70% nonvoting stock worth $660 million.

Cowles (Gardner)

Des Moines, Minneapolis, NYC area et al. Descendants of Gardner Cowles Sr., who invested $110,000 in feeble *Des Moines Register* 1903, added evening *Tribune*, turned into respected monopoly (d. 1946). Son John Sr. (d. 1983) had same knack with *Minneapolis Star*, bought 1935; son Gardner (Mike) Jr. (d. 1985) built *Look* magazine. Also bought radio stations 1930s with *Register* profits. Unity and profitability declined in third generation. John Jr., 58, lost top spot 1983 to cousin David Kruidenier, 66, who dismantled empire: Sold Cowles Broadcasting 1984 to Oveta Culp Hobby *(which see)*, several papers incl. flagship *Register* to Gannett 1985. Kruidenier chairs thinly traded Cowles Media Co., now 4 dailies, 11 weeklies, special-interest magazines. Family's 60% stake plus liquidation proceeds, shared by over 70 members, worth at least $730 million.

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Cowles (William)

Spokane. Descendants of William Hutchinson Cowles (distant relative of Gardner Cowles, *which see*), "police reporter" with Yale law degree, moved west 1891, bought into Spokane *Spokesman-Review*, gained control 1894. Also purchased timberland, started Inland Empire Paper Co. Bought rival *Chronicle* 1897. William Jr. added radio 1946, TV 1952. Now grandsons: James, 53, manages real estate, incl. office buildings, tracts in Spokane Valley; his brother William III, 55, manages papers. Control, expertise challenged in 1986 suit by their cousin Phoebe: "It's difficult to get them out of the 19th century." Dispute settled with stock buyback plan, shattered extreme privacy of family long considered among Washington state's most powerful. Banker friend: "They don't want the community to feel they're running things." Also large stake Tribune Co., selling gradually. Eight descendants share Cowles Publishing Co. fortune, much in trusts, worth at least $410 million.

Cullen

Houston. Descendants of Hugh Roy Cullen, grade school dropout and legendary wildcatter; was 40 before he made his first strike. Hit famed Tom O'Conner field in early 1930s: 720 million bbl. so far. Founded Quintana Petroleum 1932. Only son killed in 1936 oilfield accident. Hugh Roy got grandson a chauffeur-driven paper route. On death in 1957, Cullen gave away personal fortune of $200 million. Three daughters and their husbands still have immense oil and gas reserves. Quintana now run by executive committee consisting of three Cullen grandsons and a grandson-in-law, including publicity-shy Corbin Robertson Jr., 38. Grandson Ricky di Portanova brought a suit estimated at $2 billion against others; lost 1984. "The Baron" and mentally incompetent brother Ugo get by on about $10 million per year from mother's trust funds, which support estates in Rome, Acapulco, Houston. Over 20 family members control fortune worth at least $1.1 billion.

Currier

The Plains, Va.; NYC. Heirs of Ailsa Mellon Bruce, great-grandchildren of Andrew Mellon. Paternal grandfather David K.E. Bruce served as ambassador to four countries; Congress adjourned on wedding day, 1929. Parents Audrey Bruce and Stephen Currier died in Bermuda Triangle plane crash 1967; grandmother Ailsa died 1969. Three children recipients of generous trusts. Michael, 26, active family investments, philanthropies. Andrea C. Patterson, 31, country gentlewoman on family estate, Kinloch Farms, Va. Lavinia (Vinnie), 30, a jet-setter. Combined fortune should exceed $600 million.

Davis

Jacksonville, Fla. and various. Descendants of William Milton Davis, who founded small grocery store in Lemon City, Fla. 1925. James, now 80, kept father's books; 8 stores by 1931 (became Winn-Dixie 1955). James retired as chairman 1983 *(see Dropouts)*. Stores reflect a downhome southern style, "a supermarket chain with a southern accent." Small stores and cost-conscious philosophy keep Winn-Dixie profitable in tough markets. Now 1,273 stores in 13 states. Maintains generous employee profit sharing plan. Also political action committee. "We just believe in free enterprise." James' son, A. Dano, now president; nephew Robert chairman. Family owns 50,000-acre game preserve, ranch in Jacksonville. With 37% Winn-Dixie stock, stake in American Heritage Life, family worth over $830 million.

Dayton

Minneapolis. Dayton-Hudson Corp. Descendants of George Draper Dayton, founded Dayton's department store 1902. In 1938 transferred control to son, George Nelson, who raised 5 sons on 800-acre farm to instill familial cooperation. Succeeded: All sons in business by 1950. Added store 1954, then first enclosed mall, Southdale, 1956. Expanded into retailing outlets: Target, Mervyn's, Lechmere, B. Dalton Booksellers. Public 1967. D-H tradition: 5% taxable income to community philanthropies. Last son in management retired 1983. "Our egos and ambitions didn't stand in the way of doing the right thing in a timely way." A granddaughter has been awarded $6.6 million in settlement with Bible Speaks Church 1987. Fortune exceeds $1 billion. Herbert Haft *(which see)* recently bidding it up.

de Menil

Houston, etc. Descendants of physicist Conrad Schlumberger, who developed first "well logging" device 1920s. Bonanza for oil exploration—fine-tuned location, quality, if not quantity of oil. U.S.S.R. first country to try Schlumberger, Ltd. (Conrad, a socialist, pleased). Daughter Dominique resettled with husband John de Menil in Houston WWII. Has amassed over 10,000 works of art ("What I admire, I must possess"), opened $27 million museum to house part of collection 1987. Family believed worth at least $400 million; Dominique alone exceeds $200 million.

de Young

San Francisco et al. Descendants of Michael H. de Young, who started *San Francisco Chronicle* 1865 with brother Charles. Paper regaled public with racy scandal, mudslinging. Charles shot dead in office 1880 by irate reader; another later attempted to kill Michael. De Youngs warred for years with rival Hearsts *(which see)*; signed 1965 profit sharing pact. Great-grandson Richard T. Thieriot, 45, family head, publisher since 1977. Bought Worcester *Telegram & Gazette*, other Mass. papers 1986; sold real estate, abandoned videotex. Chronicle Publishing Co. now 6 dailies, 3 TV stations, cable, publishing. Some 45 heirs, none with de Young surname, share fortune conservatively est. by Richard at $450 million.

Dikeou

Real estate. Denver and Orlando, Fla. Pronounced "D-Q." Father Panayes ("Pete," d. 1977) emigrated

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from Greece 1921, founded popcorn wholesaler Colorado Popcorn Co. with brother James. Switched to more profitable real estate with $2,200 Denver land purchase 1942; James stayed in candy. Dikeou Realty now owns 15 prime acres downtown Denver, at least 12 shopping centers in Jacksonville, Orlando (8 others breaking ground). Strategy: build small strip malls next to large regional malls, cash in on heavy traffic. Dikeou Realty now run by 3 sons: George, 56, single; John, 51, divorced, 2 kids, handles Denver operation; Deno, 49, single, oversees Fla. office. Family owns minor league Denver (baseball) Zephyrs; still after big league franchise: "That's a job in itself." Net worth at least $350 million.

DiLorenzo

Real estate. NYC. Father Alex DiLorenzo Jr., Brooklyn pharmacist, joined neighbor Sol Goldman *(which see)* to buy properties 1951. Goldman-DiLorenzo became NYC's largest landlord, heavily leveraged. Lost 40% of properties in 1973-74 real estate crash, incl. Chrysler Building. Alex III joined just in time to "watch some big properties go bye-bye." On father's death 1975, Alex and Goldman split remaining parcels by flip of coin. Alex expanded, now owns nearly 400 properties, many small, commercial "taxpayers." Cautious, long-term view. Many fee positions, net leases: "We don't push these things. We put 'em away and hope they work out." Owns landmark Washington Mews in Greenwich Village, NYC. Recently bought small brokerage, mortgage banker. Soft-spoken Alex, 37, a former teacher who founded school in Brooklyn for dropouts, now family leader. Brother Marc, 30, a jet-setter, also active in business. Sister Lisa, mother Jean also benefit. Family fortune worth much more than $500 million.

Disney

Los Angeles area. Heirs of Walter Elias Disney (d. 1966), paperboy-turned-genius cartoonist; early cartoon: *Oswald the Lucky Rabbit.* Started small Hollywood firm with brother Roy producing cartoons 1923; conceived Mickey Mouse 1928. Wife Lillian chose name, overruled Walt. (His choice: Mortimer; Lillian: "Don't you think that's a bit pompous?") Walt Disney Co. now includes theme parks (Epcot Center, Disneyland, etc.), movies, the Disney Channel, etc. Receives royalties from Tokyo Disneyland; recently won approval to build Euro Disneyland outside Paris. Walt's widow Lillian, daughters Sharon, Diane control Disney Co. stock worth $590 million.

Donnelley

Origin: Chicago. Scattered descendants of Richard R. Donnelley (d. 1899), Canadian saddlemaker's apprentice who fled at 13 to work in print shop. Opened own print shop Chicago 1864; printing 23 publications by 1868. Destroyed by Great Fire of 1871; rebuilt by family into R.R. Donnelley & Sons, now nation's largest printer (*Time, Newsweek,* other magazines, tabloids, books, etc). Son Reuben H. built Reuben H. Donnelley Corp., Yellow Pages, magazine publisher; sold to Dun & Bradstreet 1961 for $80 million in stock. Grandson Gaylord retired but "honorary" chairman; received Purple Heart WWII. Fourth-generation Donnelleys—James R., 51, Charles Haffner III, 58—now on board. At least 75 descendants share 20% R.R. Donnelley, other assets, worth at least $1.35 billion.

Average estimated net worth of the family groups on these pages is about $700 million.

Duda

Oviedo, Fla. Czech immigrant Andrew Duda (d. 1958) left Cleveland, arrived Fla. 1911 to start religious farming community; went broke and back to Cleveland 1916. Returned 1926; planted 10 muckland acres of celery, plowed profits back into company: "It was a good investment." Three sons: John, 82, Andrew Jr. (d. 1986), Ferdinand, 77 (none went past 9th grade). Brothers planned retirement, company passed smoothly to third generation 1977. A. Duda & Sons today: $186 million sales, 120,000 acres; now one of nation's largest vegetable growers. At least 60 family members share land, vegetable empire worth well over $550 million. Family friend: "They're just plain people. They drive Jeeps like everyone else." Family prominent participants in Oviedo (pop. 5,000) school sports; local writer-proposed cheer: "The Camptown Races" (Duda, Duda).

Heirs of Pierre Samuel du Pont II

Wilmington, Del. Descendants of Pierre Samuel du Pont de Nemours (1739-1817), French Physiocrat who fled Revolutionary Terror for America in 1800. Son Eleuthère Irénée, chemist's apprentice, founded gunpowder factory on Brandywine Creek 1802. Company and family prospered in 19th century, became preeminent in field through Powder Trust of late 1800s. After family schism over control, Pierre S. du Pont II emerged as dominant figure 1915, set up Christiana Securities to control company (Christiana merged into Du Pont 1977). World War I munitions contracts lucrative, led to despised sobriquet "Merchants of Death." Pierre rescued nascent General Motors 1920s, got about one-third interest. Also Hercules Powder Co., U.S. Rubber (later Uniroyal), etc. Childless, Pierre left

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bulk of fortune to siblings, nephew before death 1958. His family branch built up Wilmington Trust. Dissident branches established Delaware Trust Co. *(see William du Pont family)*. Various du Ponts descended from Pierre II siblings still control more than 15% of Du Pont, making them the wealthiest branch by far. Not counting those in The Forbes Four Hundred *(see individual du Ponts)*, the family shares a fortune believed to be well over $2 billion.

du Pont (William)

Wilmington, Del., Boston, Fla., Wyo. Children of William Jr. (d. 1965). William Sr. (d. 1928) ostracized from family for divorce, early 1900s, on wrong end of battle for Du Pont 1915; founded Delaware Trust to escape Pierre's Wilmington Trust *(see other du Ponts, family)*. Retained huge holdings Du Pont stock, now to grandchildren. Henry Eleuthère Irénée (60), born William Henry, changed name 1973. Sued, with brother John, to block bequest of aunt Marion du Pont Scott (d. 1983) leaving estate of James Madison, Montpelier, to national historic trust. Henry wanted to live there; lost. His adopted children now suing to inherit despite will leaving everything to lineal descendants of grandfather. Impenetrable trusts safeguarded Henry's inheritance from business losses. Jean Ellen (Mrs. William Mason Sheehan) and brother John sold 25% controlling interest in Delaware Trust 1981. John lives with mother on Foxcatcher Farms estate. Ballistics expert (advice sought by police on occasion). Sponsors triathlon meets; onetime Olympic hopeful, won 1965 Australian pentathlon. Ph.D. in biology, founder of Delaware Museum Natural History. With sister Evelyn Donaldson, 4 siblings share fortune estimated at least $850 million.

Fisher (Oliver)

Seattle and environs. Oliver David Fisher founded Seattle lumber company to profit from rebuilding of San Francisco after earthquake, fire. With family, partners, embarked on wide-ranging career including ventures in milling, banking, media. Helped found Safeco Corp.; family still holds 6% common. Lumber company merged with Weyerhaeuser 1948. Oliver D. called Seattle area's preeminent capitalist at death 1967. Grandson Donald G. Graham Jr., 64, now in charge: 2 TV stations, 1 radio; flour mill; commercial real estate; stock in Weyerhaeuser, Safeco. Inner family circle runs business, but numerous heirs share in fortune worth over $420 million.

Getty

Calif., London et al. Heirs of billionaire oilman J. Paul Getty, whose father George founded predecessor George F. Getty Inc. 1903. Philanderer J. Paul, first of 5 divorces at 32, disinherited 1926; stock left to mother Sarah. Sarah C. Getty Trust est. 1934, gave control to Paul. In old age kept "harem" at English mansion, took regular "rejuvenation" injections. Known offspring: Gordon *(which see)*; Jean Paul II *(see Dropouts)*; Ronald; eldest son George probable suicide 1957; youngest son Timothy died after tumor operation at 12. Jean Paul II's son had ear severed in 1973 kidnapping; $1 million ransom lent by J. Paul I at 4%. Upon J. Paul I's death 1976, Gordon became sole trustee. Agreed to sell Getty Oil, liquidate trust in ill-fated Texaco deal; Gordon now focus of family feud. Getty interests in at least 10 lawsuits: "They have enough money to fuel the legal engines forever." Upon settlement, if and when, 4 branches expected to split $3 billion.

Goldman

Honolulu, Aspen, Colo., Oklahoma City. Two sons of Sylvan Goldman (d. 1984); owned supermarkets, invented shopping cart 1937. Merged his 33 Humpty Dumpty stores into ACF-Wrigley (now Allied Supermarkets) 1955. Left 1959 to build real estate empire: shopping centers, planned communities, hotels in Colorado, Southwest, Hawaii and Puerto Rico. Also banking, stocks, other interests. Son Alfred, 49, single, Wharton grad, now runs Goldman Cos. Reputed workaholic. Shares 50% equity with brother, Monte, 52, divorced, 2 daughters; not active in business. Together bought and refurbished Kaiser estate in Hawaii. Employees presented Al with a plaque: "Retire at a billion that's fine, the party is planned for '89." But with real estate weakness in oil country, may no longer be worth $400 million. Alfred says worth more: "They don't give you a plaque for just that."

Gund

Origin: Cleveland. 6 children of George Gund Jr. (d. 1966). Harvard Business School grad, sold family brewery during Prohibition, bought decaffeinated coffee firm 1919. Sold to Kellogg's 1927; now Sanka at General Foods. Moved into real estate, banking. President Cleveland Trust 1941. Son Gordon: "We didn't know the extent of our wealth until his death." Now they do: 4 sons, 2 daughters active in expanding fortune, including George III, Gordon who own NBA Cleveland Cavaliers, NHL Minnesota North Stars, stadiums they play in. Gordon, blind from retinitis pigmentosa, Princeton, N.J. venture capitalist. Agnes Saalifield, NYC, major modern art collector along with brother Graham, award-wining Boston architect, developer. Six jointly worth $870 million.

Haas

San Francisco. Bavarian immigrant Levi Strauss sold pants made of tent canvas to Calif. gold rushers, patented denim version 1873. Walter Haas Sr. (d. 1979) married Strauss grandniece, ran Levi Strauss & Co. 1928-55. Son Walter Jr., 71, took company public 1971; retired as chairman 1981, succeeded by brother Peter, 68. "Usually the fourth generation spends time on sports cars and jet planes. We hàven't." But bought Oakland (baseball) A's 1980. Walter's son Robert, 45, joined Levi after Peace Corps, Harvard Business; now CEO world's largest apparel firm (revenues $2.76 billion). Took private 1985 in $1.7 billion buyout after profits sagged. Revived by streamlining operations, cutting work force (big switch for paternalistic

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company). Since paid off 50% debt load, boosting family's equity to minimum $1.2 billion.

Hearst (John Randolph)

California, NYC area et al. Children of John Randolph Hearst, 1 of 5 sons of media baron William Randolph Hearst (1863-1951). John quit college after 1 year; headed *Town & Country*, later *Cosmopolitan, Good Housekeeping*. Slated to assume father's place at Hearst Corp., dabbled in real estate, oil instead (d. 1958). First wife Dorothy Hart left to wed William Paley *(which see)*. Four children from two other marriages: John Jr., 53, still active in Hearst Corp.; William II, 45, lives under assumed name in Calif. Daughters Joanne, 47; Debra, 37; both married, not active in company. All four share in father's 20% portion of estimated $2.5 billion trust. *(See individual Hearsts.)*

Hechinger

Washington, D.C. Children and grandchildren of Sidney Hechinger, founder of Washington wrecking and salvage business 1911. Company grew into major do-it-yourself building products chain, with 66 outlets today. Hechinger Co. public 1972; now in large-scale expansion. Sidney's son, John Walter Hechinger Sr., cochairman with brother-in-law and next-door neighbor Richard England. John Jr., president. Family of hands-on managers have knack for marketing, hands-on management. Family voluntarily waived all cash dividends in recent years on their controlling share of stock, worth $360 million.

Hillenbrand

Batesville, Ind. et al. Descendants of John Hillenbrand, son of German immigrant, bought into highly fragmented casket industry early 1900s, looking for national market. After WWII, pioneered mass marketing of first airtight, waterproof casket. Now sells greater volume than five biggest competitors combined. Also, 1928, began Hil-Rom, hospital furniture co., claims to be number one producer electric hospital beds. Little debt; cash surplus finances acquisitions: American Tourister 1978; Medeco Security Locks 1984; SSI Medical Services 1985. Daniel, 64, current CEO, chairman; his nephew, W. August, 47, president. Family's 62% interest in Hillenbrand Industries worth $665 million.

Hoiles (Clarence)

California et al. Three daughters of Clarence Harrison Hoiles, 1 of 3 children of Raymond Cyrus Hoiles (1878-1970), who assembled libertarian-leaning Freedom Newspapers chain. After college, Clarence was named publisher of chain's Bucyrus, Ohio *Telegraph-Forum*, then moved west 1935 to work for newly purchased *Santa Ana Register*. Became chief executive following father's death; his decade-long reign marked by profitability, growth (d. 1981). Issue of succession pitted brother Harry against sister Mary Jane *(see both)* and Clarence's daughters (Judith, Patricia, Mary). Family feud drags on in courts, press. Daughters share late father's one-third interest in company worth an estimated $900 million.

Horwitz

Cleveland area; Hollywood, Fla. Three sons, grandchildren of Samuel A. Horvitz, self-made entrepreneur, who hawked newspapers to support family at 8. Started Cleveland road builder, 1916. Bought bankrupt Hollywood, Inc. for $2 million, much land at $2 an acre and, later, 2 Ohio newspapers (d. 1956). Left in trust, denied trusteeship to philandering son Leonard, 64, but he and brothers (Harry, 67, and William, 61) divided management of businesses. After mother's death 1977, sons' simmering feud erupted into fist fights, lawsuits. Exasperated probate judge ordered trust liquidation 1986; 5 newspapers sold, cable-TV systems pending sale; others (Fla. real estate; road construction firm) will take longer. Proceeds after tax will range from $650 million up to $800 million. Harry: "Do I love my brothers? Probably not. My relationship to them is an accident of birth."

Houghton

Corning, N.Y. Descendants of Amory Houghton, founder Corning Glass Works 1851. Produced first glass bulbs for Thomas Edison

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1879. Diversifying from consumer housewares, developing top moneymaker—fiber optics; also telecommunications, biotech, medical instruments. Fifth-generation, family-dominated company. Accused of country-club management late 1970s, early 1980s. Current chairman and CEO James (Jamie) Houghton set to crack down on inefficiency. Began quality management system, co. restructuring, obligatory statistics course for all employees. "I have a reputation for asking hard questions and sometimes not being very nice in meetings." Result: increased profit margins, sales. Brother Amory Houghton Jr. recently won congressional seat. Aggregate family holdings worth more than $470 million.

Hoyt

NYC area and Santa Fe, N.M. Henry Hamilton Hoyt, after Princeton, left import-export business 1929 to take charge of father-in-law's company, maker of Carter's Little Liver Pills; anonymously bought control so he could cut dividends, develop products: "I believed in the axiom that a business cannot stand still." Introduced Arrid deodorant 1935, Nair 1940, Rise shaving cream 1949. Wallace Labs division brought out first ethical drug product, Miltown tranquilizer, 1955; health care, with laxatives, lozenges, pregnancy tests, etc., now 46% of sales. Dropped "Liver" from name of pills after 17-year battle capped by Supreme Court decision 1959. Added Pearl Drops tooth polish 1971, Trojan condoms 1985. Henry Sr., 92, now largely retired. Sons Henry Jr., 59, and Charles (Bud), 57, run $451 million (sales) Carter-Wallace. With sister Suzanne Garcia, control family's 52% stake worth $350 million.

Hunt brothers

Dallas. Three sons by first marriage of oil baron, bigamist H.L. Hunt *(see Margaret Hill, Caroline Hunt, Ray Lee Hunt)*, who used poker winnings to buy untapped east Texas oilfields, richest on earth until Saudi Arabia strikes (d. 1974). Sons born speculators, hoarded silver 1980 in apparent corner attempt. Bubble burst; forced to hock many personal assets, sell major oil holdings to pay down $1.1 billion bailout arranged by Federal Reserve. Silver-related losses of $1.5 billion plus oil patch decline put crown jewel Placid Oil in Chapter 11 1986, drilling arm Penrod Oil in default. Sued 23 banks for conspiracy to "dismantle and ultimately destroy" Hunt interests; banks countersued. Nelson Bunker, 61, considered world's richest man 1960s, claimed worth $16 billion incl. Libyan oilfields later nationalized. Vast land, racehorse operations now believed in jeopardy. "Big Bunk" nondrinking gambler, John Bircher. William Herbert, 58, oversees oil interests, guided Penrod's rapid expansion. Inherited father's contempt for high living: mows own lawn. Lamar, 55, left oil to brothers, pursued interest in pro sports. Owns Kansas City (football) Chiefs, cofounded American Football League. Also 3,000 acres KC-area, incl. 2 amusement parks, warehousing, limestone mine. Net worth thought higher than Herb or Bunk, but legal cloud, intermingling of trusts, companies, personal assets frustrated precise estimates of each. Long list of liabilities includes $500 million IRS claim. Today, even bloodthirsty creditor banks doubt 3 brothers could raise much more than $300 million among them from unattached assets.

Idema

Wege

Hunting

Office furnishings. Grand Rapids. Peter Wege (d. 1947), sheet-metal craftsman and holder of six patents, had idea for fireproof metal office furniture and launched own firm in 1912. Won big with first metal wastebasket. Prospered in 1920s, survived Depression (worked longtime employees part time to keep them). In 1934 co. patented modern-day suspension file cabinet. Changed name to Steelcase, 1954. Henry Idema (d. 1951) one of original investors; David Hunting (now 96) joined later, bought other investors' interests. Henry's son Walter set up tight financial control; daughter Mary married current CEO, Robert Pew, 64. Hunting became sales chief. Policies—tight controls, quality design, aggressive marketing, good pay and benefits in nonunion shop—made Steelcase biggest name in office furniture (fiscal 1987 sales $1.5 billion, about 22% of market). Almost all Steelcase stock is held by descendants of these three men. Shared fortune far exceeds $1 billion.

Johnson

Inheritance. Johnson & Johnson. Six children of J. Seward Johnson (d. 1983). Melodramatic court battle with Johnson's third wife Barbara Piasecka Johnson *(which see)* settled out of court. Excluding J. Seward Jr., who received $12 million, all others granted $5.9 million from estate. In addition, each child got trust 1944; today, if intact, each would be worth $154 million. Not all intact. Mary Lea Richards: NYC. 61. Married to producer Martin Richards (Broadway's *Sweeney Todd, La Cage aux Folles;* movies, e.g., *Fort Apache, The Bronx*, others). Proceeds from the settlement plus remaining trust assets worth $93 million. Elaine Johnson Wold: Boca Raton, Fla. 60. Husband, nonpracticing ophthalmologist, handles their investments. Worth $112 million. J. Seward Johnson Jr.: Princeton, N.J. 57. Sculptor (specializes in life-size groups). Received the largest settlement, including Cape Cod house, but invaded trust; worth $59 million. Diana Firestone: Waterford, Va. 55. With husband, raises Thoroughbreds; 1980 Kentucky Derby winner with Genuine Risk. Worth $112 million. Jennifer Johnson: Jacksonville, Fla. and NYC. 46. Photographer and gallery owner in partnership with brother James Johnson: Oldwick, N.J. and East Hampton, N.Y. 42. Operates New Jersey farm; also an accomplished painter (oils, representational). His trust, virtually intact, is worth over $154 million. Siblings have combined family fortune easily exceeding $680 million.

Jordan

Retailing, publishing. Origin: Boston. At 14 Eben Jordan left his hometown (Danville, Me.) for Bos-

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ton with a little over a dollar. Worked as farmhand, errand boy. At 29 (with partner Ben Marsh) founded Jordan Marsh 1851 (later sold to Allied Stores). Along the way invested heavily in *Boston Globe*. Prominent among Jordan heirs today: Dorothy (Mrs. Randolph A. Kidder), her 2 children. Husband ambassador to Cambodia in 1964. She is beneficiary of about one-third of Jordan Trust. Its assets now primarily 30% ownership of Affiliated Publications. Fortune exceeds $720 million.

Kelley

Honolulu. Impecunious Roy Cecil Kelley landed in Hawaii 1929 after USC architecture study. Glimpsed Waikiki's future as middle-class "tourist factory." Designed hotels, borrowed $10,000 to construct first apt. house 1933. Watched Pearl Harbor attack from rooftop. Built first hotel 1947: no frills, cut rates, high occupancy. Expanded steadily into 7,000 room Outrigger chain, now largest hotel chain in Hawaii. Modest: "I like to do things the easy way. I'm lazy." Now 82, retired; company managed by son Richard, 54, Harvard-trained pathologist. Added two hotels 1986, claims substantial debt. Combined fortune (incl. Roy's stock portfolio) over $350 million.

Kennedy

Boston origin. Joseph Patrick Kennedy (d. 1969) started in Irish South Boston, rose to bank presidency at 25. Wall Street speculator; as first head of SEC outlawed tactics that made him rich; later ambassador to England. Married Rose Fitzgerald, daughter of Boston mayor, John F. (Honey Fitz) Fitzgerald, in 1914. Had 9 children. America's premier political family: John Fitzgerald Kennedy, senator, President; Robert Francis Kennedy, senator, Attorney General (both assassinated); Edward Moore Kennedy, 55, senator. Third generation now finding out what they can do for their country. Joseph Patrick II, 35, Robert's son, holds congressional seat formerly held by Tip O'Neill. Most financial holdings are managed from family's Park Agency Inc. (NYC): real estate (including Chicago's Merchandise Mart and Apparel Center), stock holdings, oil & gas interests. Family, which includes 29 cousins, 4 generations, believed worth over $600 million.

King

Short Hills, N.J.; NYC; Malibu, etc. Charles King pioneer radio syndicator 1930s; hit hard times with invention of television. Formed television syndicator King World Productions 1964; first major purchase: *The Little Rascals*. Charlie died 1972; sons Roger, Michael took over. Hit jackpot early 1980s with purchase of rights to *Wheel of Fortune, Jeopardy*—now two highest-rated shows in syndication (total 1986 revenues, $146 million). Latest hit: *Oprah Winfrey Show*. Four siblings each hold 10% King World stock: Roger, 43, chairman; Michael, 39, CEO/president; Diana, 38, v.p.; Richard, 46, private investor. Sister Karen quit co. 1986 after spat with siblings over right to sell King World stock (her reduced stake: 4.5%). Eldest brother Robert sold out for $1.7 million before co. went public 1984. Roger, jokingly: "Without me, there would be no television in America." Roger recently sentenced to two years' probation on auto theft, cocaine charges stemming from 1987 scuffle with Florida cabbie; also entered alcohol treatment center. "I'm glad I had the opportunity to reevaluate my life." 40% King World stake, other assets, worth $360 million.

Kleberg

King Ranch, Tex. Richard King, Rio Grande steamboat captain, bought Spanish land grants south Texas 1850s. Robert Kleberg beat him in a lawsuit, then married his daughter. Bob Jr. sold drilling rights to Exxon (then Humble) 1933; first wildcat strike 1945. Annual royalties once estimated up to $100 million. Oil profits plowed into ranching, not distributed to family members: "I think he was more afraid of what the oil money could do to us than he was of drought." Bob Jr. developed Santa Getrudis cattle, named first American breed 1940. On his death 1974, family chose eastern in-law James Clement to run ranch over heir apparent B.K. Johnson *(see Dropouts)*, later bought out his interest. King Ranch now 825,000 acres (bigger than Rhode Island), plus vast leased acreage Australia. With cattle, oil woes, long-paternalistic ranch said to have laid off half its workers. Some 60 heirs now own and operate. With past oil royalties, family believed to be worth $1 billion.

Kohler

Kohler, Wis. origin. John M. Kohler bought iron foundry 1873; enameled a hog scalder and sold to local farmer for 1 cow, 14 chickens. Moved into sinks, toilets, urinals, etc. Son Walter pioneered color-coordinated fixtures 1920s; Wisconsin governor 1929-31. Grandson Walter Jr. also governor. (1951-57) split with brother Herb Sr. 1940s. Bitter strike by UAW from 1954-62. Herb Jr., after flirting with stage career, worked throughout company, took over 1972. Detail- and design-oriented manager, also shrewd marketer: "I felt we could change the whole function of the bathroom and make it stimulating, possibly even social." Kohler Co. sales now over $600 million. Some 300 family members control 85%, including foundation. With Herb Jr., now 48, in forefront, family worth well over $300 million.

Landegger

NYC, London et al. Two sons of Karl F. Landegger, who bought Austrian paper mill 1920s. Escaped Hitler 1938, with maybe $40,000; to U.S. 1940. Purchased small pulp trading firm Parsons & Whittemore; now leading builder of pulp and paper mills (over 60, mostly Third World and communist countries). Also Black Clawson (paper machinery). Wholly owned by son since father's death 1976. Carl, 57, heads domestic operations. Runs marathon, likes archeology. Discovered several pre-Columbian cities, earliest New World wreck (16th-century galleon, Bermuda). George, 50, handles overseas operations. Despite volatile pulp industry, combined net worth believed over $330 million.

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Lawrence

NYC area. Sylvan Lawrence dropped out of college twice, sold bikes, worked in aircraft factory, joined merchant marine and jerked sodas before joining older brother Seymour Cohn *(which see)* in real estate brokerage 1946. Seymour put firm in Sylvan's name as "lucky charm." Apparently it worked: From fees, commissions, built largest, if unsung, office empire in lower Manhattan. Sylvan, suave Mr. Outside, directed firm until death 1981. With no estate planning, company has since sold $600 million of properties. Seymour: "Financially, the wrong one died." Heirs include widow Alice, son Richard (active in the business), two daughters. Property managed by Seymour, others. Heirs' interest worth at least $400 million.

Lilly

Indianapolis et al. Descendants of Col. Eli Lilly, Civil War veteran who opened drugstore after farming stint in Miss. Opened chemical maker Lilly's Laboratory with 4 employees, 14-year-old son 1876. Son Josiah took over 1901, introduced first commercial insulin 1920s. Succeeded by his son Eli, nurtured early production of penicillins, antibiotics 1940s; also Salk polio vaccine 1950s. Eli Lilly & Co. now worldwide producer ethical drugs, medical equipment, animal health products (1986 sales, $3.7 billion). Bought Elizabeth Arden Cosmetics 1971; sold 1987 to Meshulam Riklis' Fabergé for $700 million. Legal problems 1970s-80s: DES, Darvon, Oraflex. Marketed first drug (Humulin) based on gene-splicing technology 1985. Lilly family no longer active in top management. Reticent; immensely charitable: Established Lilly Endowment 1937; now $2 billion assets. Family believed to hold over 10% of stock, currently worth over $1.5 billion.

Lykes

Florida origin; New Orleans, elsewhere. Descendants of Dr. Howell Tyson Lykes (d. 1906); settled in Fla. 1870s, acquired land, amassed fortune raising, shipping cattle to Cuba. Moved to Tampa 1895; with 8 children expanded to other regions, branched into shipping. Lykes Corp. moved into insurance, banks, real estate, citrus, steel 1960s. Merged with LTV Corp. 1978; escaped mostly unscathed from famous LTV crash 1986. Bought back steamship line 1982. Own 60% Glades County, Fla. (400,000 acres) plus large Texas ranch. Some 200 family members share family empire worth at least $1 billion. Observer: "There are some rich Lykes and some poor Lykes. I'd like to be a poor one."

Mack

NYC and Long Island. Russian immigrant Philip Mack began construction/demolition co. some 80 years ago. Son H. Bert (now 78), with sons, built integrated Mack Co., pioneer in suburban development (N.J., Long Island, also Tampa). Many industrial sites N.J. Meadowlands 1960s, office parks 1970s. Now 11 million sq. ft. industrial, 5 million sq. ft. office—all very profitable; AT&T one of largest tenants. Lost 1984 bid to move major league baseball to Tampa; still hoping for a franchise. Now doing major office project N.J. waterfront, others; about 1 million sq. ft. under way. Backed takeover bid on Hammermill Corp. 1986, settled for est. $24 million profit; other contentious stock plays. Brothers William, Earle, David active in business; brother Fred also partner. Socialite Earle also produces movies; bid for Britain's Goldcrest Films & Television rejected 1987. Family worth $450 million.

McClatchy

Sacramento, Calif. et al. Descendants of Irish immigrant James McClatchy, who started as reporter for *Sacramento Bee* 1857; later bought by family. Granddaughter Eleanor named publisher 1936; powerful recluse who promoted liberal causes in papers (d. 1980). Her nephews Charles Kenney, 60, and James, 66, oversee McClatchy Newspapers' 3 *Bees* (Fresno, Modesto and flagship Sacramento), plus 9 smaller dailies. $250 million libel suit over 1983 article linking casino-skimming to Paul Laxalt family recently dropped. Fourth generation now planning to take co. public "to preserve our newspapers' independence and integrity." Fewer than 15 McClatchy family members own co. valued by preliminary offering at $550 million.

McDonnell

St. Louis. Family of James S. McDonnell Jr., "man with a slide rule mind" who founded McDonnell Aircraft Corp. 1939. "Mr. Mac" fascinated with paranormal, early fighter planes named "Devil," "Voodoo" and "Phantom." Designed/built Mercury space capsule used for John Glenn's earth orbit, merged with Douglas Aircraft 1967. Defense Department primary customer: Government sales jumped over 50% during the first 4 years of Reagan presidency. Leader in fighter aircraft, produces commercial jetliners. 1986 sales: $12.7 billion. Sanford, nephew of James S. (d. 1980), named chairman 1980. "Sandy," 65, Princeton graduate, amateur sculptor, enjoys opera. James' sons John, 49, president, James III, 51, vice president. McDonnell family stock, other assets worth at least $400 million.

McGraw

NYC et al. James H. McGraw hawked magazine subscriptions 1880s. Rather than collect overdue pay, bought into moribund railroad publication. Revived. By late 1920s owned 20 magazines and book business. Today McGraw-Hill, Inc. information products conglomerate ($1.6 billion sales): magazine publishing, 4 TV stations, Standard & Poor's, information systems. Also largest textbook publisher in world. Grandson Harold W. Jr., 69, joined co. as book salesman 1947, retired as CEO 1983, remains chairman. Fended off fierce takeover battle with American Express 1979. "Determination is the single most important attribute of a publisher." At least 30 scattered descendants share 20% McGraw-Hill and other holdings worth well over $840 million.

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Mead

Wisconsin Rapids. George Wilson Mead left Illinois furniture store to take over construction of dam, paper mill when father-in-law died 1902. Completed mill housed first electrically powered paper machines 1904; put profits into other mills, became president Consolidated Papers, Inc. 1916. Son Stanton, now 87, pres. 1950-66; expanded, oversaw modernization. Grandson George II, 60, got graduate degree Institute of Paper Chemistry (Wis.) 1952; chairman since 1971. Clark Kent look-alike George navigated company through downswing in magazine industry (mill's main customer) until recovery 1978. "We thought the magazine industry was a dead duck." Consolidated Papers now leading producer enamel, coated specialty papers (1986 sales, $650 million). George: "This is an operating industry. You can't sit on top of a tower in Manhattan and think lofty thoughts." Extensive family controls stock, with other assets, believed worth some $640 million.

Mellon (Richard King)

Ligonier, Pa. Surviving adopted children of Richard King Mellon, dominant businessman in family of his generation, grandson of Judge Thomas Mellon (d. 1908). R.K. guided family empire from 1930s to death 1970. Son Seward (Pross) trained in Mellon Bank trust department, now director; also president family investment firm Richard K. Mellon & Sons. Brother Richard tried banking, switched to conservation and oceanography; chairman of Richard King Mellon Foundation, family philanthropic organ. Sister Cassandra Milbury active in philanthropy, public affairs. Beneficiaries of trusts on death of father, mother Constance (d. 1980). Combined net worth believed to exceed $600 million. *(See also other Mellons, Currier family, May, Scaife.)*

Murphy

El Dorado, Ark. Investor Charles Sr. (Mr. Charlie) built timber and farming operation, drilled first oil well in Louisiana 1907 (d. 1954). Son Charles Jr. started own oil production co. at 16 with $5,000 from grandfather. Took reins of Murphy Oil Corp. 1941 at 21 after father's stroke; never went to college: "I don't care a thing about business schools. They don't teach people to think." Murphy Oil now fully integrated; stock price has recovered from oil market slump, but not profits. Charles Jr., 67, retired as CEO 1984; remains chairman but busier with Ark. banks. Three sons in business: Charles III (Chip), 34; Madison, 30; Michael, 39. Over 50 descendants share 38% Murphy Oil. Stock, timberland, other assets worth $600 million.

Nordstrom

Seattle. John W. Nordstrom, immigrant from Sweden in 1888, went West as logger and miner, learned English, made $13,000 in 1896 Klondike Gold Rush. "Mr. John" settled in Seattle, opened shoe store 1901 with partner (later bought him out); by 1963 John's three sons had built largest independent shoe chain in U.S. Diversified into women's fashion 1963, menswear 1968. Nordstrom, Inc. now leading fashion retailer, with $1.3 billion sales. Co. edict: "Give the lady what she wants." Now run by founder's grandsons: Bruce, James and John. "We outservice, not outsmart." Family has 51% stake in Seattle (football) Seahawks. Nordstrom stock worth $1.2 billion.

O'Connor

Victoria, Tex. Descendants of Thomas O'Connor (d. 1887), who built a 500,000-acre, 100,000-head ranching empire in south Texas. Reduced family land still includes famed Tom O'Connor oilfield, discovered 1931, to date 720 million barrels, at rumored 50% royalty. Family-owned Copano Oil is small operator. Branched into banking to have some place to put their money. Among most private people in the state. Most visible: Tom O'Connor Jr., 72, senior chairman Victoria Bankshares, 20-bank chain on Texas Gulf Coast. At least 25 family members share fortune exceeding $500 million.

Ordway

Origin: St. Paul. Plumbing supply executive Lucius P. Ordway rescued ailing mining concern 1905; legend: Two shares equaled one shot cheap whiskey. Paid off debts, converted into sandpaper factory; product turned mushy in humid Duluth, moved co. to drier St. Paul. First profit 1916; company now 3M, $8.6 billion conglomerate (industrial, electronics, health, graphics products). *(See also Virginia McKnight Binger.)* Grandson John (Smokey) Ordway Jr. last family tie (director). Family visible force in Twin Cities: cofounded Minnesota (hockey) North Stars, built Ordway Music Theater in St. Paul 1984. At least 50 widely scattered descendants share in Ordway trust worth over $400 million (7% 3M) when distributed 1979.

Pew

Origin: Philadelphia. Heirs and descendants of Joseph Newton Pew Sr., who developed method of capturing previously wasted natural gas from oil wells. Founded Sun Oil Co. 1886. Entered oil production business 1901 at Spindletop. Died at his desk 1912; son J. Howard president 1912 to 1947, made comeback as chairman 1963-69 (last Pew to run firm). Family decreasingly active in co. Great grandson, Andy, 51, president of Sun subsidiary, only Pew in management. Devout Presbyterians, Republicans; family is widely dispersed. Established, maintain $2.4 billion (assets) Pew Charitable trusts (mostly support education, health and human services). At least 1,000 descendants share 6% Sun Co. stock, other assets, worth over $380 million.

Phipps

Pittsburgh origin. Henry Phipps (1839-1930), son of Philadelphia cobbler, grew up Allegheny, Pa.; neighbor of Andrew Carnegie. Became partners, pioneered Bessemer process of manufacturing steel. Phipps took $50 million in stock on sale to J.P. Morgan, 1901. Moved to NYC. Established Bessemer Trust

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(1907), split among 5 children. Trust part of Bessemer Group, owned by Phippses. BG now manages over $4 billion for outside clients in addition to Phipps' money. Average client got 22% return 1986. Family now into fifth generation; some 200 members live mostly NYC and Florida. Litigation, ill will over trust management. Howard Phipps and Anne Sidamon-Eristoff, children of Howard Phipps Sr., youngest of steel baron Henry's five offspring, have combined fortune of over $400 million. Phipps heirs (including Howard and Anne), socialite Guests, philanthropists share investment portfolio, real estate, shipping, energy interests worth estimated $1.9 billion.

Pigott

Seattle. Descendants of William Pigott Sr. Founded Pacific Car & Foundry 1905; supplied railway cars, trailers for Pacific Northwest logging industry. Entered truck business with 1945 purchase of Kenworth. Paccar, Inc. now second-largest heavy-trucking manufacturer: Kenworth, Peterbilt trucks, designer commercial vehicles—"the Rolls-Royce of trucking." William's grandchildren Charles and James only family members active in Paccar; Charles still chairman. James serves on board, but more involved in own management consulting firm. Family intensely private, secretive: "It's like they're almost embarrassed by their money." Charles pres. of Boy Scouts of America. Over 30 family members believed to hold 40% Paccar. Other assets, stock worth over $615 million.

Pitcairn

Bryn Athyn, Pa. et al. John Pitcairn, devout Scottish immigrant, telegrapher from Pennsylvania Railroad established glassmaking plant on shores of Allegheny River 1883. Dispute with partner left two competing companies: PPG and Libbey-Owens-Ford. John's PPG expanded into chemicals. After John's death 1916, heirs retained equity interest (14% PPG stock) until late 1985. Last Pitcairn in firm retired 1935. Family helped found Swedenborgian church in Bryn Athyn, John's son Raymond designed cathedral. Holding co. recently liquidated. Assets now managed by Pitcairn Financial Mgmt. Group. After 65-year family-only policy, co. now promoted as money manager for America's wealthy. Estimated family fortune, incl. liquid assets, securities, proceeds from real estate worth over $650 million.

Pulitzer

St. Louis et al. Descendants of Joseph Pulitzer (1847-1911), once-penniless Hungarian immigrant who settled in St. Louis after Civil War, paid $2,500 for bankrupt *Dispatch* 1878; encouraged muckraking, yellow journalism. Later merged with *Post;* bought out partner. Purchased *New York World* 1883; built into dominant U.S. paper, now defunct. Founded first journalism grad school, Columbia 1903; established Pulitzer Prizes. Pulitzer Publishing Co. now 2 dailies (St. Louis, Tucson), 7 TV and 2 radio stations. Family feud resulted in $187 million buyout of dissident members 1986, 18% public offering. Family trust, controlled by grandsons Joseph Jr., 74, half-brother Michael, 57, cousin David Moore, 63, retains 98% voting power. Joseph Jr.: "I was not trained by my father to liquidate this company." Fortune exceeds $520 million.

Richardson

Greensboro, N.C., Connecticut et al. Lunsford Richardson sank life savings ($8,000) in small N.C. drugstore. Sold store to develop, market Vicks Vaporub (named after brother-in-law). Post-WWI flu epidemic quadrupled sales, reputation made. Son H. Smith Sr. (d. 1972) built up Vicks Chemical, later on Richardson-Merrell Inc. (Cepacol, Bendectin). Sold to Dow Chemical 1981 for $80 million stock, created Richardson-Vicks (Clearasil, Nyquil). Merged reluctantly with Procter & Gamble 1985 at substantial gain. Family invests conservatively, except for two venture capital forays, including Vanguard cellular phones. Family prints own newsletter, meets semiannually. "It's remarkable how close our family is." Over 200 descendents share securities, real estate, other assets worth well over $500 million.

Rockefeller

NYC et al. Descendants of John D. Rockefeller, world's first billionaire, founder of Standard Oil. J.D., initially accounting clerk, saved money, invested in merchant grain commission business, 1858; put $4,000 into oil refining 1863. Considered oil very much secondary to grain. Changed mind. By 1870, Standard Oil capitalized with $1 million. Went on to form legendary monopoly. Furor over Standard cabal until 1911 Supreme Court decision led to breakup of Standard "trust." Son John D. Jr., married Abby Aldrich. Seeking her father's approval of match, Jr. went into long, earnest recitation of his financial prospects. Jr. devoted much of life to philanthropic work. Between them, J.D. and Jr. donated over $1 billion to a multiplicity of causes. Daughter Abby and 5 sons and their heirs inherited. Nelson branch "Rocky" gregarious leader of "brothers'" generation *(see also Laurance, David and Winthrop Paul Rockefeller)*; liberal Republican, 4-term governor New York, appointed Vice-President under Gerald Ford. Left 4 surviving children by first marriage, 2 by second wife Margaretta "Happy" Fitler Murphy. Fledgling real estate ventures by various family members. John D. III branch: John D. IV "Jay" like father (d. 1978), developed great interest in Asian culture. Jay former governor W.Va. (1977-84), now U.S. senator (spent over $12 million on race); rumored to think of running for president. Worked as Peace Corps adviser, later as Appalachian social worker. Abby Mauze's branch: daughter, Abby Milton O'Neill *(see Dropouts)*, is trustee Rockefeller Brothers Fund. Husband George D. manages her personal investments. Three branches combined share of family fortune is estimated at almost $2 billion.

Rockefeller (William)

Greenwich, Conn., NYC and various. Founding father William Rockefeller (1841-1922), genial

From the textile capital of America, designer genes.

Some of the most exciting work in nerica is being done in some of the ›st surprising places: South Carolina's ;toric universities.

At the University of South rolina, Clemson University and the edical University of South Carolina, ;earch projects are under way that ıy one day feed the world, unlock the re for cancer and provide products ıt immeasurably enhance our quality life.

At the University of South Caro-a, for example, genetic engineers are empting to alter the genes inherited certain species of marine animals. ıe long-range implications could eatly affect the world's food supply.

At the Medical University, special-s in molecular genetics are building ıthetic particles of genes, in an attempt discover how white blood cells recog-ze and attack malignancies. An entire w generation of vaccines may be developed in ıt manner.

And at Clemson, scientists in the depart-ent of chemistry and geology are recognized ernationally for substituting molecules of orine for other elements, thereby creating w man-made compounds. Products such as flon® and Scotchgard,® for instance, are the neficiaries of this type of research.

Not unexpectedly, all this excitement has t been lost on the private sector. More and ore astute technology-based companies are ploring the merits of locating research and anufacturing facilities in the shadows of r universities.

University of South Carolina photo.

Our coordinated statewide network of research parks—already in place and unique in America—could well hold the key to your company's future.

To discover exactly how, write J. Mac Holladay, Director, State Development Board, Suite 8003, P.O. Box 927, Columbia, S.C. 29202. Or call 803-737-0400.

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South Carolina

How Goodyea
can be in 1,861,54

The driver of the big rig is boomin' through the middle of nowhere.

All of a sudden, he has a tire problem.

And where in nowhere is he going to find someone to come and fix a tire?

No, he doesn't call every Tom, Dick and Harry from here to Tuscumbia to find the fastest service.

He just calls one 800 number.

Namely, 1-800-TIRENET.

And no matter where he is, Goodyear truck tire service will be there in no time to get him on his way.

But now for the story behind the story.

AT&T comes through with Advanced Telemarketing Solutions.

Goodyear knew downtime was a problem for truckers. They had over 1,000 truck tire service outlets nationwide. But no quick way to connect them with the trucker on the road.

So they turned to AT&T.

And AT&T telemarketing consultants worked with Goodyear to come through with the answer: a nationwide 24-hour emergency network for truckers—all brought together with a single AT&T 800 Service number.

Which brings us to the happy ending.

Now Goodyear Truck Tire Service outlets are only as far as the nearest pay phone. (Of which there were 1,861,542 at last count.)

So truckers have less downtime.

And better yet, Goodyear has more truck tire service business.

Of course, that's just one of our many AT&T Advanced Telemarketing Solutions. Any of which can help you.

AT&T consultants will work with you—on everything from design to trial to ongoing management—to set up a telemarketing program.

It doesn't matter whether you're looking to

streamline order processing, improve customer service, generate sales leads or just expand your customer base.

The point is this.

Now from anywhere, you can be everywhere.

To find out more, talk with your account

ruck tire service
laces at once.

ve at AT&T. Or call one of
es representatives at
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equipment to networking,
omputers to communications,
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brother John D. Rockefeller, ran Standard Oil of New York (now Mobil) until Trust busted 1911. Controlled as much as 12.5% of Trust, plus extensive RR, utility stocks. Married two of his sons to daughters of James Stillman, head of National City Bank of N.Y. (now Citibank). Daughters married into McAlpin, Dodge fortunes. Family still owns energy stocks, land in Greenwich; conservative, decentralized management, some run by Andrew Rockefeller, 58, William's great-grandson. Some 75 heirs share in fortune over $350 million.

Rose

NYC. Jerusalem-born David (d. 1986) cofounded Rose Associates with brother Samuel (d. early 1960s) in Bronx 1920s, later shifted to Manhattan. David built into one of NYC's oldest, biggest apartment builders, now run by Sam's sons Frederick, Daniel, Elihu (all Yalies). Own, manage reported 15,000 apts. NYC, Boston, Washington, D.C.; also prime office properties NYC, Boston. Fred is the builder, Dan the long-range planner, Eli the manager. Next generation now coming to fore: Fred's son Jonathan leading $250 million redevelopment in downtown Brooklyn. Brothers doggedly deny substantial equity, claiming foreign investors (including British noble families) and many management jobs for institutions; Dan: "We're working furiously to become big enough to justify inclusion. In the meantime, we're just folks." NYC real estate sources say otherwise. Net worth believed far over $350 million.

Rosenwald

Philadelphia area; NYC et al. Julius Rosenwald (d. 1932), mail-order pioneer, gained control Sears, Roebuck after founders sold out (Alvah Roebuck, 1895; Richard Sears, 1908). Built into largest merchandise retailer in world. Family said to hold much well-hidden stock plus other investments. Insider: "The Rockefellers made their mistakes public, the Rosenwalds reveal nothing." Son Lessing (d. 1979), former chairman, assembled major art collection. Son William, 84, today believed richest member, over 90% American Securities Corp., big stake Ametek, Inc. (his daughter Elizabeth Rosenwald Varet now serves on board). Fortune estimated at $300 million or more.

Schnitzer

Portland, Ore. Palm Springs. 4 surviving sons of Polish immigrant Samuel Schnitzer, who with Harry Wolf built Alaska Junk Co. early 1900s, Oregon Steel Mills 1941. Sons expanded, prospered in scrap-dealing post-WWII. Family bought out Wolfs after feud 1958. Son Leonard, 62, heads Schnitzer Group (with Manuel, 79; Gilbert, 70): steel products, scrap, shipping. Brother Harold, 64, quit business 1950. Controls vast real estate Portland, Seattle, San Francisco, Denver, etc. through Harsh Investment Corp. Believed richest family in Oregon; charitable. Very private. Wealth exceeds $300 million.

Scripps (E.W.)

Origin: Cincinnati. Descendants of populist Edward Wyllis Scripps, who started *Cleveland Press* 1878, built into nation's once-largest newspaper chain. Family history of feuds: E.W. split with half-brother James *(see below)*, who formed own firm. After E.W.'s death 1926, 3 sons split papers, expanded, rearranged for their offspring: Robert's 6 children (1 deceased) inherited majority stake in Scripps Howard media conglomerate (now 21 dailies, 80% stock in Scripps Howard Broadcasting, 390,000 cable subscribers); John willed 7-daily chain John P. Scripps Newspapers to children, merged with Scripps Howard 1986; James E. passed Pioneer Newspapers to son James G. (d. 1986) and Scripps League to son Edward W., 78. Some 40 members of succeeding generation share fortune, much in trust, worth at least $2 billion.

Scripps (J.E.)

Detroit area, La Jolla, Calif. et al. Descendants of James Edmund Scripps (1835-1906), English immigrant who arrived in Illinois 1844 with new concept: simple, punchy articles for "people's press," big change from purple prose in papers of the era. Sold family farm, borrowed heavily, started *Detroit* (evening) *News* 1873. Successful formula applied elsewhere. Bitter split with half-brother E.W. *(see above)* early 1900s. Built into Evening News Association, run by succession of heirs, sold to Gannett for $717 million 1985. Booth Newspapers sold 1976 for $300 million (34% family stake). More than 50 Scripps relatives now share fortune estimated at least $750 million.

Segerstrom

Orange County, Calif. Charles John Segerstrom came to U.S. from Sweden 1882, arrived Orange County 1898 with wife, 11 kids. Started farming on 40 leased acres, gradually built up land holdings with four youngest sons, two of whom never married. C.J. died 1928. By 1950s C.J. Segerstrom & Sons was nation's leading grower large lima beans. Third generation, now led by Henry, 64, and Harold Jr., 59, urged diversification into real estate post WWII: industrial space, then shopping centers, offices. Henry: "You either grow or you die. This is what nature tells us." South Coast Plaza (1967) now biggest U.S. mall, annual sales near $600 million. Donated land, led drive to build Orange County Performing Arts Center opened 1986. Henry, mother Nellie Ruth, 89, cousin Harold, are partners in firm with equity well over $400 million.

Sherman

Dayton, Ohio. Heirs of brother John Q. and William C. Sherman cofounders of Standard Register Co. Business forms, machines manufacturer incorporated 1912. Wiped out by 1913 Dayton flood, moved across town. Hit big with 1935 registrator platen, revolutionary method of "pinfeeding" continuous business forms through typing machines; co. now leading maker of business forms, data systems forms handling equipment. John left 9 children; 2 still with co: James, 64, single, joined board 1944; William, 67, married, 5 chil

Iow nuclear energy can help defuse he next oil crisis

Iuclear-generated electricity, still the test-growing major ergy source in Amer-, may be our best de-ise against another crisis.

re and more energy ex-ts are asking the same estion: How long before other oil shock torpedoes our nomy and threatens our na-nal security?

Oil turmoil

ns of the next energy crisis:

.S. oil imports soared last year, osting the country $27 billion. his year, America's foreign-oil ill is expected to grow even igger.

Iany oil analysts are saying that three years or less, as much as 0% of all the oil used in the U.S. ill have to be imported. That's a igher percentage than we have ver imported before, even dur-g the oil crises of the 1970s.

- A whopping two-thirds of the world's oil lies under the sands of OPEC nations.

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The more we use our own nuclear electricity, the less we'll have to rely on energy from unstable regions of the world.

Nuclear energy for a secure future

With over a hundred operating plants in the U.S., nuclear energy is now our second leading source of electricity. But in spite of all that we have accomplished, the threat of foreign oil dependence remains. Difficult choices still need to be made, but one fact is clear: the more we develop our own energy sources, the more we can control our own destiny.

For a free booklet on energy independence, write to the U.S. Council for Energy Awareness, P.O. Box 1537 (FQ19), Ridgely, MD 21681. Please allow 4-6 weeks for delivery.

Information about energy
America can count on
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dren, director since 1941. Kids won't move into co. until Dad retires: "We're trying to avoid nepotism." Family avid local sports supporters: Univ. of Dayton Flyers, Cincinnati Bengals, Reds; also raise horses. About 30 family members share two trusts holding stock worth $425 million.

Shoen

Phoenix, Ariz. Twelve children of Leonard Samuel Shoen, ex-barber who dreamed up move-it-yourself scheme while recovering from rheumatic fever in Navy WWII. Founded U-Haul in Ridgefield, Wash. 1945 with $3,000, "junker" trailers; now 64,000 trucks, 100,000 trailers (1987 sales, $819 million). Gradually gave stock to kids (95% by 1986); generosity repaid: Dad kicked out late 1986 *(see Dropouts)*. Son Edward: "He had to retire and be run off simultaneously." U-Haul hurting: 1987 aftertax earnings from operations only $2.2 million, heavy layoffs. U-Haul today: Chairman Edward (Joe), 39; Samuel, 42, Paul, 33, James, 27, are directors. Father L.S., 71, owns 2% stock, plotting comeback from Las Vegas: "I personally disapprove of the way they operate." For now, Shoen siblings share private company worth at least $300 million.

Smith

Origin: Chicago. Four Smith brothers with large stake in Northern Trust Corp. helped 2 Swedish toolmakers finance Illinois Tool Works 1912. Original 40-ft.-by-100-ft. loft now replaced by 86 domestic, 64 foreign manufacturing plants, sales over $960 million. Milestone: invention of Shakeproof fastener 1923. Manufactures tiny products (fasteners, screws, nuts, bolts); many sell for a penny, but 13,000 per average automobile add up. Developed now ubiquitous plastic six-pack soft-drink and beer carrier 1960s. Family members: Edward, 78, Harold, 78, honorary chairmen of Northern Trust and ITW, respectively. Harold Jr., 54, chairs exec. committee, David, 51, v.p., treasurer. Family controls at least 28% ITW, over 26% Northern Trust worth over $810 million.

Smith (Charles)

Washington, D.C. Russian immigrant Charles E. Smith began building in Brooklyn, lost a bundle in the Depression, came to D.C. as building superintendent before WWII. On own, first venture lost money; almost took job at bar & grill. Persevered, built rental apartments. Son Robert joined 1950. Together, assembled land, much of it a railroad yard, in Arlington early 1960s; built vast Crystal City project: Now its 41 buildings house 70,000 workers. Family holdings total 16 million sq. ft. offices, much in D.C. area, including Skyline City in Va. Charlie, now 86, semiretired, "but he's still got all his buttons." Spends much time in Palm Beach overseeing philanthropies (George Washington U. named basketball arena for him). Company run by formal, reserved son Robert, 59, and more outgoing son-in-law Robert Kogod, 56. Low-key family has D.C.'s biggest real estate empire, with equity over $500 million.

Stone

Chicago. Joseph H. Stone left Russia about 1890; with $2,300, sons Marvin and Norman, opened small wrapping paper store in pre-Depression Chicago. At father's death 1936 sons (including Jerome) built first corrugated-box plant, expanded through acquisitions; J.H. Stone & Sons became Stone Container Corp. 1945. Current chairman/CEO Roger talked family out of $125 million Boise Cascade buyout offer 1979: "A lot of people thought we were a little crazy." Not so crazy: Stone Container stock up 843%, vs. Boise's 262%. Co. donated 10 tons cardboard to 1987 Chicago boat race. Didn't help: Stone Container boat lost Stone International Cup (2-ft. diameter, corrugated paper) to local entry. Two surviving Stone brothers (Norman d. 1985), with family, control 31% stock, etc., worth $540 million.

Stroh

Detroit. 18th-century German brewers; young Bernard arrived Detroit 1850 with $150; brewed, delivered door-to-door with wheelbarrow. Stroh Brewery grew slowly; survived Prohibition by making ice cream (still does); survived competition by going national. Great-grandson and CEO Peter, 57, persuaded family to buy F&M Schaefer for some $70 million 1981; then Schlitz, for 70%-financed $500 million 1982. Now third-largest U.S. brewery: 23 million bbl. with 11 beer brands, 1 cooler, 2 nonalcoholic drinks. Family moving into real estate development. Still private; 4 Strohs dominate, but nearly 30 family members have stock worth at least $500 million.

Stuart

Bellevue, Idaho and Los Angeles. Grandfather Elbridge Amos Stuart founded Carnation Co. 1899 in Kent, Wash. Paid $25,000 for evaporated milk process; sold to prospectors en route to Yukon gold rush. Co. grew to include Coffee-mate, Instant Breakfast, Friskies; sold to Nestlé 1985 for $3 billion. Elbridge, 70, Carnation v.p. until quit 1961 over autocratic practices of CEO father, Elbridge Sr. (d. 1972). Jr. married to noted paleontologist Marion Butler Stuart. Raises cattle and alfalfa on secluded ranch. Dwight, 63, co. president 11 years, resigned 1983. Grows alfalfa on 2,500-acre Calif. ranch. Combined fortune worth over $400 million.

Swig

San Francisco. Real estate bigwig Benjamin Swig (d. 1980) operated in Boston, while partner, cousin Jack Weiler *(see family)* worked in New York City; Swig moved to San Francisco 1946. Developed offices; now Swig, Weiler & Arnow controls over 5 million sq. ft., mostly NYC, also SF, other cities. Swigs paid estimated $180 million 1982 for Weilers' half-interest in the Fairmont hotel chain, 2,100 luxury rooms in SF, Dallas, New Orleans; adding 1,275 rooms in San Jose, Chicago this year. Active buyers (with partners) in 1986: Long Beach's Arco Center for estimated $60 million; package of 14 old NYC buildings for est. $230 million, was described as the "deal of the decade." Melvin, 70, heads operations, does deals

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brother Richard, 62, runs hotels; brother-in-law Richard Dinner, 66, now in retirement. Share fortune believed to exceed $550 million.

Taylor

Origin: Boston. Fading *Boston Globe* revived 1872 by General Charles H. Taylor. Paper's management dominated by succeeding three generations. William O., 55 (married, 3 children), great-grandson of the general, is current chairman of umbrella company Affiliated Publications, Inc. Profits mostly fed back to paper. Modest lifestyle maintained by family: e.g., nice houses, but not in exclusive areas; remain largely out of public eye. Family fortune estimated at least $700 million.

Temple

Diboll, Tex. et al. Descendants of Thomas Louis Latane Temple Sr., who founded Southern Pine Lumber Co. 1893 with 7,000 acres in "Piney Woods" of east Texas; by 1908, 124,000 acres. Co. devastated by Depression. Son Arthur inherited 200,000 acres, crushing $2 million debt in 1934. By 1973 half-million-acre forest earning $9.6 million a year; overseen by innovative grandson Arthur Jr., who developed "perpetual forest," selective harvesting. Merged with Time Inc. 1973; Arthur Jr., 67, Time vice chairman 1978-83, now chairman Temple-Inland, spun off 1984. Son Arthur III (Buddy), 46, active politically: 4 terms in Texas House, ex-chairman Texas Railroad Commission, failed in run for governor 1982; now runs small family investment co. At least 30 family members (5 branches) own stakes in Time Inc., T-I, other interests, believed worth $1 billion.

Thompson

Dallas. Ice company executive Joseph C. Thompson began career loading ice blocks onto horse-drawn wagons. Formed Southland Ice Co. 1927; 7-Eleven convenience store chain descendant of "Tote'm Stores," ice docks that also sold bread, eggs, milk to satisfy late-night customers. Now over 8,700 outlets, largest convenience store chain in U.S. Joseph died 1961; co. now run by sons: John, 61, chairman; Jere, 55, president, CEO. Third son Joe C. (Jodie), 46, recently resigned as vice president to run local liquor store chain. Brothers' backgrounds identical: Univ. of Texas business school, Phi Gamma Delta, football team managers. "They have an incredible ability to get along with each other." Fearful of takeover, family recently announced $5 billion leveraged buyout. Stock, other interests worth at least $380 million.

Upjohn

Kalamazoo, Mich. Descendants of Drs. Henry and William Erastus Upjohn. W.E. invented and patented first dissolvable pill for accuracy of dosage. With brother Henry founded the Upjohn Pill & Granule Co. 1886. Co. grew, produced phenolax wafers, Kaopectate, digitalis; also antibiotics. Went public 1958. Maintains second-biggest R&D budget (as percent of sales) in industry. Xanax and Halcion recent winners, treat central nervous system disorders. High prospects for Rogaine, baldness treatment currently before FDA. James Gilmore believed richest single member. Family believed to hold over 20% of stock. Combined fortune worth $2.3 billion dollars.

Van Every

N.C., S.C. et al. Descendants of Salem Van Every, partner of father-in-law Philip L. Lance in peanut butter packing operation. Cofounded Lance Packing Co. 1913 with $60, peanut roaster, peanut butter mill. Wife's idea later became Lance staple: peanut butter cracker sandwich. Lance, Inc. formed 1939; now makes everything from cookies to pork skins (1986 sales, $367 million). Salem died 1943, left 5 sons. Philip, only son ever active in co. management, chairman until death 1980; siblings William, David also deceased. Two remaining brothers now on board: Salem Jr., 76, career Navy man; Stephen, 69, retired horticulturist, tends farm. Overall, 46 family members share 41% Lance, Inc. worth $330 million.

Wattis

Origin: Ogden, Utah. Descendant of Edmund O. Wattis, who founded Utah Construction 1900 with Mormon banker and polygamist David Eccles et al. Paid-in capital $24,000. Railroad builders, then bridge and Hoover, Grand Coulee dams. Prolific Eccles family' shares dispersed but not Wattis'. E.O.'s grandson Edmund Littlefield *(which see)* succeeded chairman Marriner Eccles, David's son, 1971. Construction business sold to Fluor Corp. 1969. Utah International became coal, copper mining power house. Family held 14% UI when sold out to General Electric 1976 in then-largest merger ($2.2 billion). One surviving aunt (Phyllis Wattis) and 8 cousins other than Littlefield hold GE shares worth $1.2 billion.

Weiler

NYC. Jack Weiler, 83, operated in NYC while partner, cousin Ben Swig *(see family)* handled Boston, then San Francisco. Brokered leases for retail chains 1940s, 1950s. Began developing. Now Swig, Weiler & Arnow owns some 5 million sq ft., mostly NYC; some SF, elsewhere. Swigs bought Weilers' interest in Fairmont Hotel chain for estimated $180 million 1982; families still partners most other holdings. Jack, big Israel giver, spends most of his time on charities; son Alan, 53, company attorney. Son-in-law Robert Arnow, 63, also in business. Weilers lately not as active as the Swigs. Their share family fortune worth $500 million.

Weyerhaeuser

St. Paul, Seattle et al. Frederick (1834-1914) emigrated from Germany at 18, found work in Illinois lumberyard; in panic of 1857 acquired local sawmill; expanded in north, then west. Shrewd purchase of 900,000 acres (1900) from RR magnate James J. Hill for $6 an acre. Soon controlled timberlands from Minnesota to Pacific. Angered Teddy Roosevelt with cut-and-run methods. Conservation-minded grandson John Philip opened land to hunters, fishermen, created

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parks, pioneered tree farms. Today Weyerhaeuser, Inc. "Best of S.O.B.s" according to some environmentalists. Family still controls 10% Weyerhaeuser and significant holdings Potlatch, Comshare (banking and investment co.); sold interest in First National Bank of Palm Beach 1986. Family numbers over 200 and still growing. Fortune estimated at least $1 billion.

Whittier

Southern California. Descendants of Mericos H. Whittier, cofounder Belridge Oil; president until death 1925. Sold company to Shell Oil 1979 for $3.6 billion, at time largest takeover ever. Mericos' 4 children, families received $475 million after taxes. Philanthropist Helen Whittier Woodward (d. 1984) donated eye institute to Scripps Foundation, $3 million Asia complex to San Diego Zoo. Surviving brother Paul, 83, board chairman small oil company M.H. Whittier. Proceeds from Belridge sale, other assets, believed now worth $700 million.

Wirtz

Chicago. Son of a Chicago cop, Arthur M. Wirtz (d. 1983) entered real estate scene in the 1920s after U. Michigan. Eye for Depression bargains; eschewed mortgages. With grain speculator Jim Norris (d. 1966), acquired string of teams and arenas, including Madison Square Garden. Antitrust suit 1957 broke up sports empire. Oldest son William, 58, now head of family; ordered to pay $1.53 million damages to Norris' daughter in old stock fraud case. Arthur's 2 sons, 2 daughters share banks, liquor distributors, part-ownership Chicago (hockey) Black Hawks and Bulls, over 50 residential buildings, office buildings, farms, hotel, etc. Believed worth at least $400 million.

Wolfe

Columbus, Ohio, et al. Descendants of brothers Robert F. and Harry P., who accumulated 19th-century fortune selling Wear-U-Well shoes. Bought *Columbus Dispatch* 1905; later, 2 TV and 2 radio stations. Considered for years to be one of Ohio's most powerful families; staunch Republicans. Founders' grandson John W., 59, is kingpin. Local pol: "He just gets stronger and stronger." Also 2.4% stake National City Corp., The Ohio Co (investment bank), real estate Grandson Edgar, former publishe *Dispatch*, died in 1975 plane crash John W. and cousin John F. head 14 member family; fortune estimate at least $575 million.

The total estimated net worth of the family groups on these pages is $70 billion.

Yates

Artesia, N.M. Martin Yates Jr moved from Missouri, made firs major commercial oil strike o New Mexico side of Permian Basi 1921. Family legend: After Marti dug dry holes, wife picked the spo that yielded gusher. Built pipeline refinery 1920s; sold refinery in De pression. Yates Petroleum starte by Martin's sons: Harvey, Sain Clair Peyton (S.P.), Martin III d 1985), John. Disastrous mining in vestments forced Harvey to sell ou to brothers 1963; Harvey remad oil fortune solo. Yates Petroleun still N.M.'s oil powerhouse; wo messy environmental battle to dril in federal wilderness area 1983 Third generation numbers 1 many active, led by S.P.'s son Pey ton. Separately, Harvey Jr. has bi stake in publicly held Cibola Ene gy Corp. S.P.; John and Martin widow Bitsy share Yates Petr leum, plus other small interest with reserves worth at least $30 million.

Independence is a powerful asset

Total Assets, $9.4 Billion. Revenues, $3.3 Billion. Shareholders' Equity, $2.7 Billion.

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ancial data, twelve months ended June 30, 1987

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Dropouts

A record number of changes in The Forbes Four Hundred took place in 1987, the Year of the Raging Bull. Of last year's roster, 42 were outdistanced by the rising fortunes of their peers, 8 died, and 30 were removed for other reasons. Total: 80.

Who's gone this year

DIED

Bettingen, Burton Green. Beverly Hills. Estimated $235 million fortune (inheritance) 1986. Died March 1986, mid-70s. Survived by two children and sister Dorothy Green *(which see)*.

Carpenter, William Kemble. Boca Raton, Fla. Estimated $240 million fortune (inheritance) 1986. Died Aug. 31, 1987, at age 68. Survived by wife, 3 children, brother Robert R. Carpenter, and sister Irene C. Draper *(see both)*.

Faulkner, Mary Belin du Pont. Brookline, Mass. Estimated $200 million fortune (inheritance) 1986. Survived by 6 children.

Ford, Henry II. Palm Beach. Estimated $250 million fortune (Ford Motor) 1986. Died Sept. 29, 1987, age 70. Survived by wife, 3 children.

Kalmanovitz, Paul. Tiburon, Calif. Estimated $250 million fortune (beer, etc.) 1986. Died January 1987, age 81. Survived by wife Lydia *(which see)*.

Rains, Liliore Green. Beverly Hills. Estimated $235 million fortune (inheritance) 1986. Died November 1985, age 76. Survived by sister Dorothy Green *(which see)*.

Sackler, Arthur Mitchell. NYC. Estimated $190 million fortune (psychiatric research, art) 1986. Died of heart attack May 26, 1987, age 73. Survived by wife, 4 children.

Tyson, Randal William. Fayetteville, Ark. Estimated $275 million fortune (Tyson Foods) 1986. Choked to death November 1986, age 36. Survived by wife Barbara *(which see)*.

DECLINED

Boesky, Ivan Frederick. Mount Kisco, N.Y. 50. Estimated $200 million fortune (risk arbitrage) 1986 cut to ribbons by insider trading scandal.

Carpenter, Ben H. Dallas. 63. Estimated $230 million fortune (Southland Financial Corp.) 1986. Stock down 75% since 1986; also hurt by poor Texas real estate market. Net worth now far below cutoff.

Chambers, Raymond George. Morristown, N.J. 45. Estimated $185 million fortune (LBOs) 1986. After charitable contributions in excess of $100 million, net worth falls under minimum.

Clark, Richard Wagstaff (Dick). Malibu, NYC. 57. Estimated $180 million fortune (rock 'n' roll, television) 1986. After dismal public offering of TV company 1987, plus recent setbacks at radio networks, far below cutoff.

Eulich, John Freeman. Dallas. 58. Estimated $200 million fortune (real estate) 1986. Cash flow problems necessitated the restructuring of $2.1 billion in loans 1987. Company seems solid, but Eulich's net worth is reduced, for now.

Johnson, Belton Kleberg. San Antonio. 57. Estimated $190 million fortune (inheritance, ranching) 1986 down somewhat because of Texas woes; also faces divorce settlement.

Lear, Norman Milton. Los Angeles. 65. Estimated $225 million fortune (television) 1986. Reported $112 million divorce settlement with ex-wife Frances (the inspiration for *Maude*) means that Lear's run on The Forbes Four Hundred is canceled.

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Levine, Leon. Charlotte, N.C. 50. Estimated $260 million fortune (Family Dollar Stores) 1986. Declining results : company, and resultant family feud, pushed down stock.

Millard, William H. San Vincente, Saipan. 55. Estimated $200 million fortune (ComputerLand) 1986. With continuing legal battles over company ownership, sale of unencumbered 52% stake, net worth below minimum for now.

Spelling, Aaron. Holmby Hills, Calif. 64. Estimated $235 million fortune (television) 1986. As his shows have bombed, so has company stock.

LEFT BEHIND

Beal, Carlton. Midland, Tex. 71. Estimated $200 million fortune in oil 1986. Even with slight oil rebound, uncertainty about his holdings take him off the list.

Benenson, Charles Benjamin. NYC. 74. Estimated $200 million fortune 1986. Benenson's investments remain too well hidden to keep him on in the face of a rising minimum.

Cox, Edwin Lochridge. Dallas. 65. Fortune estimated $200 million (oil) 1986. Rise in value of oil properties believed more than offset by likely exposure to son's problem loans.

Currier, Lavinia M. The Plains, Va. 30. Estimated $200 million fortune (inheritance) 1986. With brother Michael Currier, sister Andrea Patterson *(see below and Currier family)*, still shares fortune estimated at $600 million, but surpassed by rising cutoff.

Currier, Michael S. NYC. 26. Estimated $200 million fortune (inheritance) 1986. *(See sister Lavinia, above, and Currier family.)*

Davis, James Elsworth. Jacksonville, Fla. 80. Estimated $200 million fortune (Winn-Dixie Stores, Inc.) 1986. Surpassed by rising Forbes Four Hundred minimum. *(See Davis family.)*

Davis, Leonard. Palm Beach and NYC. 63. Estimated $200 million fortune (insurance—Colonial Penn Group) 1986, now below rising cutoff.

Dayton, Alida Rockefeller. Minneapolis. 38. Estimated $190 million fortune (inheritance) 1986. With siblings Sandra (Rockefeller) Ferry, Hope Aldrich (Rockefeller) and John D. Rockefeller IV *(see below and Rockefeller family)*, still shares fortune estimated at $760 million. Surpassed by rising minimum.

de Menil, Dominique. Houston. 79. Estimated $200 million fortune (inheritance) 1986. Shares with 5 children fortune estimated at $400 million, but her share surpassed by rising cutoff *(see de Menil family)*.

Donaldson, Evelyn du Pont. Clark, Wyo. 61. Estimated $200 million fortune (inheritance) 1986. With siblings Henry E.I. du Pont, John E. du Pont, Jean E. Sheehan *(see below and du Pont family)*, still jointly worth some $850 million. Surpassed by rising cutoff.

du Pont, Henry Eleuthère Irénée. Wilmington, Del. 59. Estimated $200 million fortune (inheritance) 1986. *(See sister Evelyn Donaldson, above, other du Ponts; see also family.)*

du Pont, John Eleuthère. Newtown Square, Pa. 48. Estimated $200 million fortune (inheritance) 1986. *(See sister Evelyn Donaldson, above, other du Ponts; see also family.)*

Ferry, Sandra (Rockefeller). Cambridge, Mass. 52. Estimated $190 million fortune (inheritance) 1986. *(See sister Alida Rockefeller Dayton, above, other Rockefellers; see also family.)*

Getty, Jean Paul II. 54. London. Estimated $210 million fortune (inheritance) 1986. Surpassed by rising cutoff. *(See Gordon Getty, Getty family.)*

Goldman, Alfred Dreyfus. Honolulu and Oklahoma City. 49. Estimated $200 million fortune (inheritance, real estate) 1986. With much real estate in depressed areas, fortune no longer meets Forbes Four Hundred minimum. With brother Monte *(see below)*, still shares fortune estimated at $400 million. *(See Goldman family.)*

Goldman, Monte Henry. Honolulu and Oklahoma City. 52. Estimated $200 million fortune (inheritance, real estate) 1986. *(See brother Alfred, above; see also family.)*

Gordy, Berry. Los Angeles. 57. Estimated $180 million fortune (Motown Records) 1986. Now that the catalog is out on CD, earnings have peaked. Motown may be worth $150 million, but not more.

Hammer, Armand. LA, NYC. 89. Estimated $180 million fortune (Occidental Petroleum, art) 1986. Amorphous fortune surpassed by rising cutoff.

Hines, Gerald Douglas. Houston. 62. Estimated $200 million fortune (real estate) 1986. Although well diversified, continued Texas real estate exposure prevents his fortune from keeping pace with minimum.

Hulman, Mary Fendrich. Terre Haute, Ind. 82. Estimated $180 million fortune (inheritance) 1986. This year's $225 million minimum drops the checkered flag on Hulman's spin on The Forbes Four Hundred.

Jobs, Steven Paul. Woodside, Calif. 32. Estimated $185 million fortune (Apple Computer) 1986. Sold Apple stake 1986, missed dramatic price rise (retains one share). Fortune no longer merits inclusion in The Forbes Four Hundred.

Johnson, John Harold. Chicago. 69. Estimated $185 million fortune (publishing, cosmetics) 1986 surpassed by rising net worth of The Forbes Four Hundred.

Keck, William Myron II. Los Angeles. 45. Estimated $190 million fortune (Superior Oil inheritance) 1986. Even with modest return, still below this year's minimum.

Kozmetsky, George. Austin, Tex. 70. Estimated $200 million fortune 1986 (Teledyne). Rising minimum narrowly leaves him off the list.

Lunger, Mary Jane du Pont. Wilmington, Del. 73. Estimated $200 million (inheritance) 1986. Didn't keep pace with higher Forbes Four Hundred threshold.

Mellon, Richard Prosser. Ligonier, Pa. 48. Estimated $195 million fortune (inheritance) 1986. With brother Seward Prosser Mellon, sister Cassandra Mellon Milbury *(see below and family)*, still shares in combined family fortune estimated at $600 million. Surpassed by rising minimum net worth needed to make list.

Mellon, Seward Prosser. Ligonier, Pa. 45. Estimated $195 million fortune (inheritance) 1986. *(See brother Richard P. Mellon, above, other Mellons.)*

Milbury, Cassandra Mellon. Ligonier, Pa. 47. Estimated $195 million fortune (inheritance) 1986. *(See brother Richard P. Mellon, above, other Mellons.)*

Muss, Stephen. Miami Beach. 59. Estimated $200 million fortune (real estate) 1986. Wealth surpassed by a rising minimum.

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efore minority interests and extraordinary items. Note: All figures quoted based on Reuters Hedge settlement rate of US$0.7115 = $A1 of Monday, 31 August, 1987.

McCANN BHCI1307

O'Neill, Abby Milton. Oyster Bay, N.Y. 59. Estimated $185 million fortune (inheritance) 1986. Surpassed by Forbes Four Hundred cutoff. *(See Rockefeller family.)*

Palevsky, Max. Beverly Hills. 63. Estimated $200 million fortune (computers) 1986. Net worth eclipsed by higher 1987 minimum.

Patterson, Andrea Currier. The Plains, Va. 31. Estimated $200 million fortune (inheritance) 1986. *(See sister Lavinia Currier, above, and Currier family.)*

Phipps, Howard Jr. Westbury, N.Y. 53. Estimated $200 million fortune (inheritance) 1986. With sister Anne Phipps Sidamon-Eristoff *(see below, and Phipps family)* still shares fortune of $400 million. Surpassed by rising cutoff.

(Rockefeller), Hope Aldrich. Woodstock, Vt. 49. Estimated $190 million fortune (inheritance) 1986. *(See sister Alida Rockefeller Dayton, above, other Rockefellers; see also family.)*

Rockefeller, John Davison IV. Washington, D.C. and Charleston, W.Va. 50. Estimated $190 million fortune (inheritance) 1986. *(See sister Alida Rockefeller Dayton, above, other Rockefellers; see also family.)*

Sheehan, Jean Ellen du Pont. Coral Gables, Fla. 64. Estimated $200 million fortune (inheritance) 1986. *(See sister Evelyn du Pont Donaldson, above, other du Ponts; see also family.)*

Sidamon-Eristoff, Anne Phipps. NYC. 55. Estimated $200 million fortune (inheritance) 1986. *(See brother Howard Phipps Jr. above, and Phipps family.)*

Simplot, John Richard. Boise, Idaho. 78. Estimated $200 million fortune (potatoes) 1986. Although his potato, cattle businesses have bottomed out, vegetable and fertilizer divisions still hurting. No way current valuation is much beyond $200 million.

Smith, Athalie Irvine (Joan). Middleburg, Va. 54. Estimated $200 million fortune (inheritance, lawsuits) 1986. Rising minimum takes her off the list for now. Last-ditch lawsuit versus Donald Bren *(see Billionaires)* now being heard in court.

Sowell, Anne Windfohr. Fort Worth. 48. Estimated $200 million fortune (inheritance) 1986. Value of her Texas ranchland hasn't appreciated enough to keep her among The Forbes Four Hundred.

Stuart, Dwight Lyman. Beverly Hills. 62. Estimated $200 million fortune (inheritance) 1986. Shares $400 million fortune with brother Elbridge Hadley Stuart Jr. *(see below)*. Surpassed by rising cutoff *(see Stuart family)*

Stuart, Elbridge Hadley Jr. Bellevue, Idaho. 70. Estimated $200 million fortune (inheritance) 1986. *(See brother Dwight Stuart, above, and family.)*

REALIGNED

Bullitt, Dorothy Stimson. 95. Seattle. Estimated $300 million fortune (broadcasting) 1986. Evidence suggests minimal role in running day-to-day business. *(See Bullitt family.)*

Dillon, Clarence Douglas. Far Hills, N.J. 78. Estimated $180 million fortune (investments) 1986. Wealth actually shared with sister Dorothy (Mrs. Eric Eweson).

Galbreath, John Wilmer. Columbus, Ohio. 90. Estimated $200 million fortune (real estate) 1986. It seems control of family fortune has passed to son Daniel Galbreath *(which see)*.

Hendrix, Helen Hunt. NYC. 38. Estimated $200 million fortune (inheritance, oil, real estate) 1986. Fortune realigned to reflect primary control of brother Ray Lee Hunt *(which see, also sisters, mother below)*.

Hunt, Ruth Ray. Dallas. 70. Estimated $200 million fortune (inheritance, oil, real estate) 1986. *(See daughter Helen Hunt Hendrix above, also Ray Hunt.)*

Hunt, Ruth June. Dallas. 43. Estimated $200 million fortune (inheritance, oil, real estate) 1986. *(See sister Helen Hunt Hendrix above, also Ray Hunt.)*

Hunt, Swanee. Denver. 37. Estimated $200 million fortune (inheritance, oil, real estate) 1986. *(See sister Helen Hunt Hendrix above, also Ray Hunt.)*

Shoen, Leonard Samuel. Las Vegas. 71. Estimated $300 million fortune (U-Haul) 1986. Shoen had put stock in children's names. They booted Dad, took control *(see Shoen family)*.

REMOVED

Dempsey, John Cornelius. Delaware, Ohio. 73. Estimated $300 million fortune (bulk shipping containers) 1986. Smaller personal stake than previously believed in Greif Brothers Cor[illegible] puts him below the minimum.

Hahn, Ernest Walter. Rancho San[illegible] Fe, Calif. 68. Estimated 1986 fortu[illegible] of $300 million (shopping center[illegible] was overstated. Actual fortu[illegible] around $200 million.

Hall, Evelyn Annenberg. Palm Beac[illegible] 76. Estimated 1986 fortune $200 mi[illegible] lion (publishing). Much of stake i[illegible] Triangle Publications previously d[illegible] nated to foundation, schools. *(See s[illegible] ters below; see also Annenberg siste[illegible] family, brother Walter Annenberg.)*

Haupt, Enid Annenberg. NYC. 81. E[illegible] timated 1986 fortune $200 millio[illegible] (publishing). *(See sister Evelyn Ha[illegible] above, also brother Walter Annenberg.)*

Hazen, Lita Annenberg. NYC, LA. 7[illegible] Estimated 1986 fortune $200 millio[illegible] (publishing). *(See sister Evelyn Ha[illegible] above, also brother Walter Annenberg.)*

Hooker, Jeanette Annenberg. Pal[illegible] Beach. 83. Estimated 1986 fortu[illegible] $200 million (publishing). *(See Evel[illegible] Hall, above, also Walter Annenberg.)*

Hunt, Lamar. Dallas. 55. Estimate[illegible] 1986 fortune $250 million (inhe[illegible] tance, oil, sports). Bankruptcy, cred[illegible] tor suit filings reveal unattached a[illegible] sets worth less than previously b[illegible] lieved. *(See brothers Bunker, Herbe[illegible] below, also Hunt brothers family.)*

Hunt, Nelson Bunker. Dallas. 61. E[illegible] timated 1986 fortune $400 millio[illegible] (inheritance, oil, real estate). *(S[illegible] brother Lamar, above, also family.)*

Hunt, William Herbert. Dallas. 5[illegible] Estimated 1986 fortune $350 millio[illegible] (inheritance, oil, real estate). *(S[illegible] brother Lamar above, also family.)*

Norris, Diana Strawbridge. Pal[illegible] Beach. 45. Estimated $220 millio[illegible] fortune (inheritance) 1986. Further r[illegible] search reveals her shares in Campbe[illegible] Soup fewer than previously though[illegible] *(See brother George Strawbridge Jr., b[illegible] low, also John Dorrance Jr. and Do[illegible] rance Hill Hamilton et al.)*

Simon, Esther Annenberg. NYC. 8[illegible] Estimated 1986 fortune $200 millio[illegible] (publishing). *(See sister Evelyn Ha[illegible] above, also Walter Annenberg.)*

Strawbridge, George Jr. West Cheste[illegible] Pa. 48. Estimated $185 million fo[illegible] tune (inheritance) 1986. *(See sister D[illegible] ana Strawbridge Norris, above, also oth[illegible] Dorrances.)*

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Near Misses

Not everybody can be on The Forbes Four Hundred. Here's what it takes to almost be on it.

Next?

Robert Donald Van Kampen
Bonds, real estate. West Chicago. 48. Married, 3 children. High-powered bond salesman ("They called me The Charger"). Hit on insured tax-exempt unit trusts for small investors 1974. Van Kampen Merritt became industry's third-largest firm, sponsored $9 billion in trusts; sold to Xerox 1984 for $185 million. Held real estate to hedge bond holdings; cofounded VMS Realty 1981. VMS, an aggressive syndicator of tax shelters, now has $6 billion portfolio. Lives on 40-acre estate stocked with wild deer, elk, camels. Devout Christian, credits God for his financial success: "[My beliefs] play a part in everything we do." Net worth exceeds $220 million.

George Leon Argyros
Real estate. Newport Beach, Calif. 50. Married, 3 children. Son of Greek immigrants, raised Pasadena. After college got real estate broker's license 1962; first subdivision 1963. Began building apts. late 1960s. His Arnel Management now Orange County's largest apt. owner: 4,500 units. Also office parks, land. Bought AirCal with William Lyon *(which see)* 1981; turned around, sold at modest profit 1986. Paid $13 million for baseball's Seattle Mariners 1981; since then, team has big leagues' worst record: "I was worth millions until I got involved in baseball." Deal to buy San Diego Padres flubbed 1987. Net worth should exceed $220 million.

Dean Francis LeBaron
Money management. Brookline, Mass. 54. Divorced, 2 children. Doctor's son, Harvard M.B.A. Equity analyst, fund manager for Boston firms. Founded Batterymarch Financial Management 1969; indexing strategy lured big pension money. Contrarian's contrarian, uses computers to pick stocks: "My idea of future money management is a few senior people and one big machine." Gadget fiend: once kept airplane cockpit simulator in home. Sole owner Batterymarch. Income 1986, $20 million; net worth at least $220 million. "I have some fundamental biases in investing. A lot of them are contained in two books: *The Tao of Physics* and *The Dancing Wu Li Masters.*"

John William Rollins
Entrepreneur. Greenville, Del. and Montego Bay, Jamaica. 71. Twice divorced, remarried; 9 children (1 deceased). Left Georgia farm for construction jobs, milk delivery, etc. Opened Ford deal ship with brotl Wayne *(which s* built car, truck le ing firm, now pub RLC Corp. Clean chemical trucks ev tually led into the h ardous waste treatm business: Rollins En ronmental Services sp off 1982. Republican "Big John" ele ed Delaware lieutenant gover 1952. "I've spent most of my life t ing to get away from horse manur Brothers on some of each other's c porate boards; interests are otherw separate. With stock, 45,000 Tenn see acres owned in partnership, 6,5 acre Jamaica plantation, worth o $220 million.

Theodore Nathan Lerner
Real estate. Chevy Chase, Md. a Palm Springs. 61. Married, 3 childr Father came to U.S. from Palesti mother from Europe. After law sch 1951, started with $250, sold sub ban houses, built subdivisions. Inv ed to codevelop Wheaton Plaza, D area's first big enclosed shopping c ter, 1958. Added more malls, incl ing Tysons Corner (since sold), Wh Flint. Branched into suburban, dow town offices, garden apartments; a much prime land: large new devel ment at Tysons Corner; also 2,0 acres Loudoun County, Va. Ma partners, including longtime as ciate Albert (Sonny) Abramson. Tr to move Baltimore Orioles to D.C. 1975. Known as tough negotiator. N

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worth exceeds $215 million. "I just feel very fortunate."

Ted Mann
Movie theaters. Los Angeles. 64. Divorced, remarried; 2 daughters. Parents were North Dakota homesteaders; Ted raised Minneapolis. Built chain midwestern movie theaters; sold out 1968, retained some land. To LA mid-1960s. Bought 270-theater National General chain for $67 million 1973, including venerable Grauman's Chinese Theater—change to Mann's Chinese not well received. Revamped chain through trades, construction; built up to almost 400 screens. Sold out to Gulf & Western for $245 million 1986. Produced a few movies, including *Brubaker*. Wife is actress Rhonda Fleming. Net worth exceeds $210 million. "What's life without a challenge?"

Martin Toby Sosnoff
Stock market, money management. NYC; New Canaan, Conn.; Nice, France. 55. Divorced, remarried; 4 children. Bronx-born, $40-per-week copy editor 1954, then E.F. Hutton analyst. During spate of money management jobs, formed, folded own firm 1968 (personal portfolio: $500,000). Cofounded Atalanta Capital 1972: Partners split but both kept corporate name. Took public 1986 aided by chum Michael Milken *(which see)*. Author investment books, ex-FORBES and current *New York Post* columnist. Dubbed wife, née Toni Gross, "Comtesse Toni du Mont Alban." Caesars World takeover stalled, but his paper gain to date $100 million. With 58% Atalanta/Sosnoff Capital, stock portfolio, net worth at least $210 million.

Martin Selig
Real estate. Seattle. 50. Married. Claims to own over one-third downtown Seattle office space (5.5 million sq. ft.)—much of it developed in last 8 years. Moved into market with perfect timing: "I think I can say it was an accident. I don't think I can plan that well." Disputes predictions of coming glut in Seattle office space. Deals directly with tenants on contracts. Has reputation for superb building service. Comments local banker: "You can't pry a tenant away once he's moved in." Plans to stick with real estate: "I've started to dip into other areas, but always back out before I actually get my feet wet." Net worth estimated at $210 million.

Robert A. Swanson
Genentech. San Francisco area. 3 Married. Son of aircraft maintenan man, MIT business/chemistry maj "Sputnik got me into science." Sti at Citibank before joining San Fra cisco venture capital firm Kleiner Perkins 1975. Persuaded biochemi Herbert Boyer to match his $500 commercialize recombinant-DN technology after many beers in tave 1976. Genentech, premier biote firm, cloned insulin, human grow hormone, blood-clot dissolver (sal $130 million, capitalization $3.7 bi lion); $35 stock doubled within mi utes of going public 1980. Intens ultraprivate, vows to build "first m jor U.S. pharmaceutical concern sin World War II." His 6% stake exceed $200 million.

Richard James Dennis Jr.
Commodities trader. Chicago. 3 Single. School clerk's son. First i vestment: 10 shares of $3 stock wi seventh-grade pals. Worked summe at Chicago Mercantile Exchange f $1.60 an hour. Bought seat at Mi America with $1,600 borrowed fro father. Dubbed "Prince of the Pits" f uncanny speculating ability. Wi Thomas Dittmer *(which see)* rumore to have set off 1983 soybean cras "That bean call came to me in Tec nicolor." Biggest one-day loss: $1 million 1986. Co-owns C&D Com modities, clearing $50 billion in f tures annually. Liberal Libertarian spends $10 million a year counterin New Right. Insiders find $200 millio "very believable."

Donald Philip Kelly
Beatrice Co. Chicago. 65. Married, children. Raised on Chicago's Sout Side, World War II torpedo man, i surance clerk. Climbed Swift & C ranks, became president of successo firm Esmark 1973. Built rangy co glomerate gulped by food giant B atrice 1984. Got last laugh, with Koh berg Kravis Roberts & Co. *(which see)* largest-ever ($6.2 billion) leverage buyout, dismemberment of bloated weakened Beatrice 1986-87 coul raise over $10 billion. Observe "Whatever that Irishman's selling b comes the greatest thing since slice bread." Chairman E-II Holdings Inc newly public acquisition vehicl With 4.7% LBO profits, fees (som $20 million from Beatrice), etc., sti under $200 million—for now.

Box Scores

The Forbes Four Hundred don't seem able to keep up with the Dow Joneses. Their combined fortunes add b, by our reckoning, to $220 billion. Since 1982 the S&P)0 is up 167%, but the average net worth among the ealthiest Americans increased by a lesser amount, 139%, /er these five years.

Are the rich lousy investors? No, or they wouldn't be ch. Then why aren't their fortunes growing as fast as the ock market? In part because much of their wealth is in al estate, which hasn't increased in value recently as fast as stocks have, or in oil, which has decreased in value.

Okay, but should Sam Walton be allowed to have $8.5 billion at a time when a lot of people struggle for necessities? Suppose you expropriated his shares and divided them among the poorest 20% in the U.S. Each of the poor folks would get shares worth about $170. But how could they "spend" the shares without collapsing their value?

The bottom line is that while the big rich seem to be getting richer they are probably not getting rich faster than most other Americans.

	1982	1983	1984	1985	1986	1987
400 net worth ($bil)	92	118	125	134	156	220
average net worth ($mil)	230	295	315	335	390	550
minimum net worth ($mil)	91	125	150	150	180	225
billionaires	13	15	12	13	26	49
new entries	NA	74	44	64	56	80
women	66	64	69	78	77	55
self-made	134	163	159	165	174	214
inherited	206	194	146	181	168	162
agriculture	9	10	21	16	16	16

	1982	1983	1984	1985	1986	1987
finance	19	53	48	45	59	69
high-tech	4	12	15	12	10	16
oil	70	64	74	64	48	29
real estate	48	48	71	83	59	73
retailing	15	15	19	19	22	18
media	38	62	59	69	58	75
manufacturing	70	105	95	103	92	84
families	41	66	82	78	92	99

Acknowledgments

When someone is worth more than $225 million, it is likely there is someone else who knows it. We gratefully acknowledge here publications and other sources, nationwide, that have contributed to our research. In addition, our thanks to the many more—bankers, lawyers, former executives, financial advisers and the like—who insisted on anonymity. In some cases, their help was the most essential of all.

Air-Conditioning & Refrigeration Institute, Arlington, Va.
Annual Statement Studies Robert Morris Associates, Philadelphia
Martin Baron, business editor, *Los Angeles Times*
Neil Barsky, real estate reporter, *New York Daily News*
Donald Bauder, business editor, *San Diego Union*
Frederick C. Beaubien, senior vice president, Cushman & Wakefield, Chicago
Michael Bellas, Beverage Marketing Corp., NYC
Richard F. Blackburn, media broker and consultant, Blackburn & Co., Washington, D.C.
Broadcasting Cable Yearbook, Washington, D.C.
Martin Brower, editor, *Orange County Report* newsletter, Newport Beach, Calif.
R.W. Byram & Co., oil publications, Austin, Tex.
The California Production Record, the Conservation Committee of California Oil Producers, Los Angeles
Douglas W. Classen, Clayton Brown & Associates, Inc., Chicago
Gus Clemens, author of *Legacy: The Story of the Permian Basin Region of West Texas and Southeast New Mexico* (Mulberry Avenue Press).
Kenneth R. Donow, senior analyst, Satellite Systems Engineering, Inc., Bethesda, Md.
Editor & Publisher Yearbook, NYC
Andrew Friedlander, real estate broker, Monroe & Friedlander, Inc., Honolulu
Marc Ganis, president, Sportscorp, Chicago
Larry Gerbrandt, senior analyst, Paul Kagan Associates, Carmel, Calif.
Stephen B. Goldstein, senior v.p., Julien J. Studley Inc., Washington, D.C.
Jane Glenn Haas, staff writer, *Orange County Register*, Santa Ana, Calif.
Nancy Hardy, editor, *Florida Citrus Newsletter*
C.S. Heinbockel, staff writer, *Arkansas Gazette*, Little Rock, Ark.
Charles H. Kadlec, president, Frazier Gross & Kadlec Inc., communications consultants, Washington, D.C.
James B. Kobak, publishing consultant, James B. Kobak & Co., Darien, Conn.
Robert Lacey, author, *Ford: The Men and the Machine* (Little, Brown)
Perrin H. Long Jr., Lipper Analytical Securities Corp., NYC
Patrick Mahn, coauthor, *Daddy's Duchess: The Unauthorized Biography of Doris Duke* (Lyle Stuart)
Steve Maves, reporter, *The Business Journal*, Portland, Ore.
[illegible] magazine, Clearwater, Fla.
Daniel McNamee, magazine consultant, the McNamee Consulting Co., NYC
Jay Pouzar, sales consultant, Coldwell Banker, Chicago
Professional Builder magazine, Des Plaines, Ill.
Real Estate Data, Inc., NYC
Regardie's magazine, Washington, D.C.
Gerald D. Reilly, newspaper broker and media consultant, Greenwich, Conn.
Rosalind Resnick, business writer, *Miami Herald*
Dave Robinson, reporter, *Buffalo News*
Bill Roenigk, director of economic research, National Broiler Council, Washington, D.C.
Gina Romero, researcher, *Texas Monthly* magazine, Austin, Tex.
Peter Rosenthal, Howard Rubenstein Associates, NYC
Don Schnabel, senior v.p., Julien J. Studley Inc., NYC
Jeremy Shamos, media consultant and attorney, Denver
Alex Sheshunoff, Sheshunoff & Co., bank publications, Austin, Tex.
W.K. Shumpes, ranch broker, Boerne, Tex.
Efrem Sigel, publisher, *Communications Trends*, Larchmont, N.Y.
Anita Sharpe, editor, *Atlanta Business Chronicle*
Michael Sklarz, director of research, Locations Inc., Honolulu
Julien J. Studley, Julien J. Studley Inc., NYC
George Taylor and David Loevner, Room 5600, NYC
Variety, NYC
John R. White, chairman emeritus, Landauer Associates, NYC
Sally White, managing editor, *Lancaster* (S.C.) *News*
Nanette Wiser, Copley News Service, San Diego

Newspaper libraries

Atlanta *Journal & Constitution*
Cleveland Plain Dealer
Los Angeles Times
Orange County Register
San Jose Mercury News
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San Diego Union

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A					
Albertson, Joseph Albert	198	Boise	81	$365	Albertson's, Inc.
Alexander, Norman E	209	Scarsdale, N.Y.	73	315	Printing ink
Alkek, Albert B.☆	209	Victoria, Tex.	76	310	Oil
Allbritton, Joe Lewis	162	Houston	62	575	Media, banking
Allen, Charles Jr.	212	NYC	84	300	Stock market, real estate
Allen, Herbert	212	NYC	79	300	Stock market, real estate
Allen, Herbert Anthony	212	NYC	46	300	Stock market, real estate
Allen, Paul Gardner★	156	Bellevue, Wash.	34	640	Microsoft
Anderson, Robert Orville	219	Roswell, N.M.	70	295	Oil, land
Andreas, Dwayne Orville★	236	Bal Harbour, Fla.; et al.	69	230	Soybeans
Annenberg, Walter Hubert	154	Wynnewood, Pa.	79	650	Publishing
Annenberg sisters	266	NYC, Palm Beach	—	385	Inheritance (publishing)
Anschutz, Philip Frederick	124	Denver	47	1,350	Oil, investments
Ansin, Edmund Newton	220	North Miami	51	280	Broadcasting
Anthony, Barbara Cox	120	Honolulu	64	1,800	Inheritance (Cox Enterprises)
Argyros, George Leon†	312	Newport Beach, Calif.	50	220	Real estate
Arison, Ted	122	Miami Beach	63	1,800	Carnival Cruise Lines
Arrillaga, John★	227	Palo Alto, Calif.	49	250	Real estate
Avery, Alice O'Neill	224	Los Angeles	70	275	Inheritance, real estate
B					
Barnum, Stewart Sr.	232	Silver Spring, Md.	68	250	Manor Care
Bancroft, Christopher☆	239	Denton, Tex.	36	225	Inheritance (Dow Jones)
Bancroft, Hugh III☆	239	Newport Beach, Calif.	38	225	Inheritance (Dow Jones)
Barbey family	266	Calif., et al.	—	540	Inheritance (VF Corp.)
Bass, Edward Perry	152	Fort Worth	42	725	Oil, investments
Bass, Lee Marshall	136	Fort Worth	31	1,000	Oil, investments
Bass, Robert Muse	132	Fort Worth	39	1,200	Oil, investments
Bass, Sid Richardson	136	Fort Worth	44	1,000	Oil, investments
Batten, Frank	190	Virginia Beach	60	400	Publishing, broadcasting
Beal, Carlton●	308	Midland, Tex.	71	—	Oil
Bechtel, Stephen Davison Jr.	190	San Francisco	62	400	Engineering, construction
Bechtel, Stephen Davison Sr.	190	Oakland	87	400	Engineering, construction
Belfer, Arthur Beier	176	NYC	80	490	Oil, real estate
Belk family	266	Charlotte, N.C.	—	350	Retailing
Belz family	266	Memphis	—	300	Real estate
Benenson, Charles Benjamin●	308	NYC	74	—	Real estate
Bennett, William Gordon	208	Las Vegas	62	325	Circus Circus
Bernhard, Arnold	192	Westport, Conn.	85	390	Value Line, Inc.
Berrie, Russell	184	Englewood, N.J.	54	420	Teddy bears
Berry, Jack Monteith	232	Winter Haven, Fla.	70	250	Citrus grower
Berry, John William Sr.	198	Dayton	65	365	Yellow Pages
Bettingen, Burton Green●	306	Beverly Hills	dec.	—	Inheritance (oil)
Binger, Virginia McKnight	206	Wayzata, Minn.; NYC	71	325	Inheritance (3M)
Blaustein, Morton K.	174	Baltimore	60	500	Inheritance (oil)
Block family	266	Toledo, Pittsburgh	—	425	Newspapers
Bluhm, Neil Gary	184	Winnetka, Ill.	49	400	Real estate
Boesky, Ivan Frederick●	306	Mount Kisco, N.Y.	50	—	Risk arbitrage
Borg, Malcolm Austin	206	Englewood and Spring Lake, N.J.	49	325	Publishing, broadcasting
Bredin, Octavia Mary du Pont	234	Greenville, Del.	74	240	Inheritance (Du Pont)
Bren, Donald Leroy	130	Newport Beach, Calif	55	1,250	Real estate
Bright, Harvey Roberts (Bum)	160	Dallas	67	600	Oil, real estate, banking, trucking
Bronfman, Edgar Miles	120	NYC	58	1,800	Seagram Co.
Brown, Harold	192	Boston	62	385	Real estate
Brown, Jack E.	194	Midland, Tex.	62	375	Oil, investments
Brown family	266	Louisville	—	630	Whiskey
Buck family●		California, et al.	—	—	Inheritance (oil)
Buffett Warren Edward	118	Omaha	57	2,100	Stock market
Bullitt, Dorothy Stimson●	310	Seattle	95	—	Broadcasting
Bullitt family	266	Seattle	—	380	Broadcasting
Busch, August Anheuser Jr.	124	St. Louis	88	1,300	Anheuser-Busch
C					
Cabot family	266	Boston area	—	450	Cabot Corp.
Campbell family	268	Hawaii, et al.	—	600	Real estate

★New entry. ☆Returnee. ●Dropout. †Near miss

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	Page	Residence	Age	Worth ($mil)	Primary sources
ntor, Bernard Gerald★	238	Beverly Hills, NYC	70	$225	Securities brokerage
rgill, James R.	205	Minneapolis	64	335	Inheritance (Cargill, Inc.)
rgill, Margaret	205	La Jolla, Calif.	67	335	Inheritance (Cargill, Inc.)
rgill family	268	Minneapolis orig.	—	2,000	Inheritance (Cargill, Inc.)
rlson, Curtis Leroy	156	Minneapolis	73	640	Entrepreneur
rpenter, Ben H.●	306	Dallas	63	—	Southland Financial Corp.
rpenter, Robert Ruliph Jr.	227	Montchanin, Del.	72	260	Inheritance (Du Pont)
rpenter, William Kemble●	306	Boca Raton, Fla.	dec.	—	Inheritance (Du Pont)
rr, Oliver Taylor Jr.★	238	Washington, D.C.	62	225	Real estate
ruth, William Walter Jr.	160	Dallas; Crystal River, Fla.	75	600	Real estate
rver family	268	Muscatine, Iowa	—	300	Rubber
ambers, Anne Cox	120	Atlanta	67	1,800	Inheritance (Cox Enterprises)
ambers, Raymond George●	306	Morristown, N.J.	45	—	Leveraged buyouts
andler family	268	Los Angeles, et al.	—	2,000	Times Mirror Co.
ase, David Theodore	216	West Hartford, Conn.	58	300	Real estate, media
aus family●		NYC	—	—	Sportswear
app, Norton★	209	Seattle	81	300	Inheritance (Weyerhaeuser), real estate
ark, Richard Wagstaff (Dick)●	306	Malibu, NYC	57	—	Rock 'n' roll, television
ose family	268	Fort Mill, S.C.	—	360	Textiles
hen family	268	NYC area	—	450	Real estate
hn, Seymour	190	NYC, Upper Brookville, N.Y.	76	400	Real estate
lket, Tristram C. Jr.	224	Paoli, Pa.	49	240	Inheritance (Campbell Soup)
llier, Miles Carnes	170	Naples, Fla.	40	500	Inheritance, investments
mer, Gary Campbell★	201	Chicago	59	350	Lands' End
nnell, Grover	200	Westfield, N.J.	69	350	Food, equipment leasing
nover, Catherine Mellon	238	Washington, D.C.	51	225	Inheritance
ok, Jane Bancroft	148	Cohasset, Mass.; Sarasota, Fla.	75	900	Inheritance (Dow Jones)
oke, Jack Kent	148	Middleburg, Va.	74	900	Real estate, media, sports
oke, Phoebe Hearst	168	Woodside, Calif.	60	250	Inheritance, media
ors family	271	Golden, Colo.	—	660	Beer
peland family●		Delaware; Washington, D.C.	—	—	Inheritance (Du Pont)
pley, Helen Kinney	164	La Jolla, Calif.	64	550	Publishing
tsen, Lloyd Edward★	224	Bel Air, Calif.	58	265	Neutrogena Corp.
wles family (Gardner)	271	Des Moines, Minneapolis, NYC	—	730	Newspapers
wles family (William)	272	Spokane	—	410	Newspapers, real estate
x, John Lee	219	Midland, Tex.	62	300	Oil
x, William Coburn Jr.	182	London, Nantucket	56	450	Inheritance (Dow Jones)
x, Edwin Lochridge●	308	Dallas	65	—	Oil
ain, Gertrude Ramsay	216	Wilmette, Ill.	76	300	Publishing
ow, Fred Trammell	152	Dallas	73	750	Real estate
own, Lester	116	Chicago	62	2,100	Inheritance, industrialist
llen family	272	Houston	—	1,100	Oil
lverhouse, Hugh Franklin	228	Tampa	68	250	Real estate, banking
rrier, Lavinia M.●	308	The Plains, Va.	30	—	Inheritance
rrier, Michael S.●	308	NYC	26	—	Inheritance
rrier family	272	The Plains, Va.; NYC	—	600	Inheritance
nner, Raymond L. ☆	238	Nashville	62	225	Shoney's
rden, Constance Simons du Pont	234	Norfolk, Va.	83	240	Inheritance (Du Pont)
venport, Elizabeth Lupton★	170	Lookout Mountain, Tenn.	54	300	Coca-Cola bottling
vidowitz, Joseph Morton	234	Lawrence, N.Y.	58	250	Stock market, investment banking
vidson, William Morse	224	Bloomfield Hills, Mich.	64	270	Guardian Industries Corp.
vis family	272	Jacksonville, Fla.; et al.	-	830	Winn-Dixie Stores
vis, James Elsworth●	308	Jacksonville, Fla.	80	—	Winn-Dixie Stores
vis, Leonard●	308	Palm Beach and NYC	63	—	Colonial Penn Group
vis, Marvin Harold	122	Beverly Hills, Denver	62	1,450	Oil, entertainment, real estate
vis, Shelby Cullom	190	Tarrytown, N.Y.	78	400	Investment banking
yton, Alida Rockefeller●	308	Minneapolis	38	—	Inheritance
yton family	272	Minneapolis	—	1,000	Dayton-Hudson
Menil, Dominique●	308	Houston	79		Inheritance
Menil family	272	Houston, et al	—	400	Inheritance
Young family	272	San Francisco, et al	—	450	Newspapers
Bartolo, Edward John	130	Youngstown, Ohio	69	1,250	Shopping centers
dman, Robert Henry	160	Dallas	61	600	Country clubs
mpsey, John Cornelius●	310	Delaware, Ohio	73		Shipping containers

New entry. ☆Returnee. ●Dropout. †Near miss.

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	Page	Residence	Age	Worth ($mil)	Primary sources
Dennis, Richard James Jr.†	316	Chicago	38	$200	Commodities
Dikeou family	272	Denver; Orlando, Fla.	—	350	Real estate
Dillon, Clarence Douglas●	310	Far Hills, N.J.	78	—	Investments
DiLorenzo family	274	NYC	—	500	Real estate
Disney, Roy Edward	164	Los Angeles	57	560	Walt Disney Co.
Disney family	274	Los Ángeles area	—	590	Walt Disney Co.
Dittmer, Thomas Henry	186	Lake Forest, Ill	45	400	Commodities
Dixon, Fitz Eugene Jr.	180	Lafayette Hill, Pa.	64	450	Inheritance
Dixon, Suzanne Searle	232	Lake Forest, Ill.	56	250	Inheritance (G.D. Searle)
Dolan, Charles Francis	164	Oyster Bay, N.Y.	61	550	Cable television
Donaldson, Evelyn du Pont●	308	Clark, Wyo.	61	—	Inheritance (Du Pont)
Donnelley family	274	Chicago orig.	—	1,350	R.R. Donnelley & Sons
Dorrance, John Thompson Jr.	128	Gladwyne, Pa.	68	1,300	Inheritance (Campbell Soup)
Draper, Irene Carpenter	227	Montchanin, Del.	76	260	Inheritance (Du Pont)
Dreiseszun, Sherman W.	227	Kansas City, Mo.	63	250	Banks, real estate
du Pont, Alexis Felix Jr.	213	Wilmington, Del.	81	300	Inheritance (Du Pont)
du Pont, Helena Allaire Crozer	213	Chesapeake City, Md.	74	300	Inheritance (Du Pont)
du Pont, Henry Eleuthère Irénée●	308	Wilmington, Del.	59	—	Inheritance (Du Pont)
du Pont, Irénée Jr.	234	Montchanin, Del.	67	240	Inheritance (Du Pont)
du Pont, John Eleuthère●	308	Newtown Square, Pa.	48	—	Inheritance (Du Pont)
du Pont, Pierre Samuel III	216	Rockland, Del.	76	300	Inheritance (Du Pont)
du Pont, Willis Harrington	216	Palm Beach	51	300	Inheritance (Du Pont)
du Pont family (Henry)●	—	Del., Pa., Conn.	—	—	Inheritance (Du Pont)
du Pont family (Pierre Samuel II)	274	Wilmington, Del., et al.	—	2,000	Inheritance (Du Pont)
du Pont family (William)	278	Wilmington, Del., et al.	—	850	Inheritance (Du Pont)
Duchossois, Richard Louis	198	Barrington, Ill.	66	350	Manufacturing
Duda family	274	Oviedo, Fla.	—	550	Agriculture
Duke, Doris	148	Somerville, N.J., et al.	74	875	Inheritance
Durst, David M.	213	Chappaqua, N.Y.	62	300	Real estate
Durst, Royal H.	213	Westchester County, N.Y.	68	300	Real estate
Durst, Seymour B.	213	NYC	74	300	Real estate
Dyson, Charles Henry	166	NYC	78	550	Conglomerator
E					
Edson, John Orin★	182	Seattle	54	450	Leisure craft
Ellis, Alpheus Lee	232	Tarpon Springs, Fla.	81	250	Banking, real estate
Ellison, Lawrence J.★	234	Atherton, Calif.	43	245	Oracle Corp
Engelhard, Jane B.	198	Far Hills, N.J.	69	365	Inheritance
Eulich, John Freeman●	306	Dallas	58	—	Real estate
Evans, James Emmett	218	Dade City, Fla.	87	300	Citrus grower
Evans, Thomas Mellon	204	NYC	77	345	Investments
F					
Faulkner, Mary Belin du Pont●	306	Brookline, Mass.	dec.	—	Inheritance (Du Pont)
Ferry, Sandra (Rockefeller)●	308	Cambridge, Mass.	52	—	Inheritance
Fickling, William Arthur Jr.	205	Macon, Ga.	55	345	Charter Medical Corp.
Field, Frederick Woodruff	183	Beverly Hills	35	400	Inheritance, media
Field, Marshall V	183	Lake Forest, Ill.	46	425	Inheritance, real estate, media
Fireman, Paul	182	Newton, Mass.	43	435	Reebok
Fisher, Donald George	164	San Francisco	59	575	The Gap
Fisher (Lawrence) family●	—	Detroit area, Palm Beach	—	—	Inheritance (Fisher Body)
Fisher, Lawrence	186	NYC	78	400	Real estate
Fisher, Max Martin	228	Detroit, NYC, Palm Beach	79	250	Oil, investments
Fisher, Zachary	186	NYC	77	400	Real estate
Fisher (Oliver) family	278	Seattle et al.	—	420	Lumber
Fleischer, Ernest Melvin★	208	Kansas City, Mo.	54	320	Franklin Savings Association
Flint, Lucile Evelina du Pont	234	Greenville, Del.	72	240	Inheritance (Du Pont)
Forbes, Malcolm Stevenson	176	Far Hills, N.J.	68	(p. 176)	Inheritance, publishing
Ford, Henry II●	306	Palm Beach	dec.	—	Inheritance (Ford Motor Co.)
Ford, Josephine Clay	146	Grosse Point Farms, Mich.	64	475	Inheritance (Ford Motor Co.)
Ford, William Clay	146	Grosse Point Shores, Mich.	62	900	Inheritance (Ford Motor Co.)
Frankino, Samuel Joseph☆	201	Palm Beach	63	350	Agency Rent-A-Car
Fribourg, Michel	152	NYC	74	700	Grain trader
Furst, Austin Owen Jr.	236	New Canaan, Conn.	44	230	Vestron

★Newcomer ☆Returnee ●Dropout †Near miss

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ılbreath, Daniel Mauck	201	Columbus, Ohio	59	$350	Real estate
ılbreath, John Wilmer●	310	Columbus, Ohio	90		Real estate
ılesi, Francesco	232	NYC	56	250	Real estate
ıllo, Ernest	183	Modesto, Calif.	78	425	Wine
ıllo, Julio	183	Modesto, Calif.	77	425	Wine
ırvey family●	–	Wichita, et al.	—	—	Inheritance
ılvin, Robert William	160	Barrington Hills, Ill.	65	600	Motorola
ıtes, Charles Cassius Jr.	220	Denver	66	280	Gates Corp.
ıtes, William Henry III	130	Seattle	31	1,250	Microsoft
ıylord, Edward Lewis	132	Oklahoma City	68	1,150	Broadcasting, publishing, real estate
::tty, Gordon Peter	200	San Francisco	53	350	Inheritance (oil)
::tty, Jean Paul II●	308	London	54	—	Inheritance
::tty family	278	California, London, et al.	—	3,000	Oil
azer, Guilford★	227	Beverly Hills	66	250	Real estate
ɔldman, Alfred Dreyfus●	308	Honolulu and Oklahoma City	49	—	Inheritance, real estate
ɔldman, Monte Henry●	308	Honolulu and Oklahoma City	52	—	Inheritance, real estate
ɔldman, Sol	134	NYC	70	1,100	Real estate
ɔldman family	278	Honolulu, Colorado, et al.	—	400	Real estate
ɔodson, Mark	194	NYC	72	375	Game shows, newspapers
ɔrdy, Berry●	308	Los Angeles	57	—	Motown Records
ɔttwald, Bruce Cobb★	209	Richmond, Va.	54	310	Ethyl Corp.
ɔttwald, Floyd Dewey Jr.★	209	Richmond, Va.	65	310	Ethyl Corp.
aham, Katharine	148	Washington, D.C.	70	875	Washington Post Co.
een, Dorothy	235	Beverly Hills	Late 70s	240	Inheritance (oil)
een, Pincus	150	Zug, Switzerland	53	750	Commodities trader
eenberg, Maurice Raymond	218	NYC	62	300	American International Group
:eenewalt, Margaretta Lammot du Pont	234	Greenville, Del.	85	240	Inheritance (Du Pont)
ıiffin, Ben Hill Jr.	232	Avon Park, Fla.	76	250	Citrus grower
ıiffin, Mervyn Edward	213	Beverly Hills, et al.	62	300	Television
ıuss, Joseph S.★	184	NYC	84	400	Oil, investments
:accione, Robert Charles	202	NYC	55	350	Publishing
ınd family	278	Cleveland orig.	—	870	Inheritance
/'					
ıas, Fritz Otto★	176	Ambler, Pa.	71	500	Rohm & Haas Co.
ıas, John Charles★	176	Villanova, Pa	68	500	Rohm & Haas Co.
ıas family	278	San Francisco	—	1,200	Levi Strauss & Co.
ıft, Herbert Herman★	240	Washington, D.C.	67	225	Retailing, real estate, greenmail
ıft, Robert Michael★	240	Washington, D.C.	34	225	Retailing, real estate, greenmail
ıhn, Ernest Walter●	310	Rancho Santa Fe, Calif.	68	—	Shopping centers
ıll, Donald Joyce	166	Mission Hills, Kans.	59	550	Hallmark Cards
ıll, Evelyn Annenberg●	310	Palm Beach, Fla.	76	—	Inheritance (publishing)
ımilton, Dorrance Hill (Dodo)	224	Strafford, Pa.	59	290	Inheritance (Campbell Soup)
ımmer, Armand●	308	Los Angeles and NYC	89	—	Occidental Petroleum, art
ımmons, John Quentin★	238	Springfield, Mo.	64	225	Holiday Inns
ırbert, John Murdoch III	154	Birmingham, Ala.	65	650	Construction, investments
ırdie, Mary Jane Hoiles★	216	Marysville, Calif.	65	300	Newspapers
ıupt, Enid Annenberg●	310	NYC	81	—	Inheritance (publishing)
ızen, Lita Annenberg●	310	NYC, Los Angeles	78	—	Inheritance (publishing)
:arst, George Randolph Jr.	168	Los Angeles	60	250	Inheritance, media
:arst, Hope Chandler	168	Beverly Hills	66	500	Inheritance, media
:arst, Randolph Apperson	168	Hillsborough, Calif.	71	500	Inheritance, media
:arst, William Randolph Jr.	168	NYC	79	500	Inheritance, media
:arst family (John Randolph)	281	California, NYC area, et al.	—	500	Inheritance, media
:chinger family	281	Washington, D.C.	—	360	Building supplies
:inz, Henry John III	192	Fox Chapel, Pa.; Washington, D.C.	48	380	H.J. Heinz Co.
:lmsley, Harry Brakmann	124	NYC; Greenwich, Conn.	78	1,400	Real estate
:ndrix, Helen Hunt●	310	NYC	38		Inheritance, oil, real estate
:ss, Leon	156	NYC; Deal, N.J.	73	625	Amerada Hess Corp.
:wlett, William Redington	124	Portola Valley, Calif.	74	1,450	Hewlett-Packard
ll, Margaret Hunt	134	Dallas	72	1,100	Inheritance, oil, real estate
llenbrand family	281	Batesville, Ind., et al.	—	665	Caskets
llman, Henry Lea	122	Pittsburgh	68	1,500	Industrialist, venture capitalist
nes, Gerald Douglas●	308	Houston	62	—	Real estate
ɔbby, Oveta Culp	150	Houston	82	800	Media

New entry. ☆Returnee. ●Dropout. †Near miss.

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Hoiles, Harry Howard★	216	Santa Ana, Calif.	71	$300	Newspapers
Hoiles family (Clarence)	281	California et al.	—	300	Newspapers
Hooker, Jeanette Annenberg●	310	Palm Beach	83	—	Inheritance (publishing)
Horvitz family	281	Cleveland; Hollywood, Fla.	—	650	Media, real estate
Hostetter, Amos Barr Jr.★	238	Boston	50	225	Cable TV
Houghton family	281	Corning, N.Y.	—	470	Corning Glass Works
Howard, Robert Staples	190	Rancho Santa Fe, Calif.	62	400	Publishing
Hoyt family	284	NYC area and Santa Fe, N.M.	—	350	Carter-Wallace
Hubbard, Stanley Stub	184	St. Mary's Point, Minn.	54	425	Broadcasting
Huffington, Roy Michael	200	Houston	69	350	Oil
Hulman, Mary Fendrich●	308	Terre Haute, Ind.	82	—	Inheritance
Hunt, Caroline Rose	146	Dallas	64	900	Inheritance, oil, real estate
Hunt, Johnnie Bryan★	235	Springdale, Ark.	60	240	Trucking
Hunt, Lamar●	310	Dallas	55	—	Inheritance, oil, real estate
Hunt, Nelson Bunker●	310	Dallas	61	—	Inheritance, oil, real estate
Hunt, Ray Lee	128	Dallas	44	1,300	Inheritance, oil, real estate
Hunt, Ruth June●	310	Dallas	43	—	Inheritance, oil, real estate
Hunt, Ruth Ray●	310	Dallas	70	—	Inheritance, oil, real estate
Hunt, Swanee●	310	Denver	37	—	Inheritance, oil, real estate
Hunt, William Herbert●	310	Dallas	58	—	Inheritance, oil, real estate
Hunt brothers	284	Dallas		300	Inheritance, oil, real estate
Hunting family	284	Grand Rapids	—	1,000	Steelcase
I					
Icahn, Carl Celian★	168	Westchester County, N.Y.	51	525	Financier
Idema family	284	Grand Rapids	—	1,000	Steelcase

★New entry ↑Returnee ●Dropout ~Near miss

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	Page	Residence	Age	Worth ($mil)	Primary sources
J					
cobs, David H.★	204	Bay Village, Ohio	66	$245	Shopping centers
cobs, Irwin Lawrence	228	Minneapolis	46	250	Investments, takeovers
cobs, Jeremy Maurice★	186	East Aurora, N.Y.	48	400	Sports concessions
cobs, Richard E.★	204	Lakewood, Ohio; NYC	62	345	Shopping centers
bs, Steven Paul●	308	Woodside, Calif.	32	—	Apple Computer
hnson, Barbara Piasecka	182	Princeton, N.J.	50	450	Inheritance
hnson, Belton Kleberg●	306	San Antonio	57	—	Inheritance, ranching
hnson, Edward Crosby III	160	Boston	57	600	Money management
hnson family	284	Scattered	—	680	Inheritance (Johnson & Johnson)
hnson, John Harold●	308	Chicago	69	—	Publishing
hnson, Samuel Curtis	160	Racine, Wis.	59	600	S.C. Johnson & Son
rdan family	284	Boston orig.	—	720	Retailing, publishing
K					
alikow, Peter Stephen	180	NYC	44	450	Real estate
almanovitz, Lydia★	228	Tiburon, Calif.	83	250	Inheritance (beer, real estate)
almanovitz, Paul●	306	Tiburon, Calif.	dec.	—	Beer, real estate
askel, Howard	188	NYC	50	400	Real estate
auffman, Ewing Marion	128	Mission Hills, Kans.	71	1,300	Marion Laboratories
avadas, Kathryn Bancroft☆	239	Waban, Mass.	35	225	Inheritance (Dow Jones)
eck, Howard Brighton	218	Los Angeles	74	300	Superior Oil Co.
eck, William Myron II●	308	Los Angeles	45	—	Inheritance (Superior Oil)
einath, Pauline MacMillan	239	Unknown	53	225	Inheritance (Cargill, Inc.)
elley family	286	Honolulu		350	Hotels
elly, Donald Philip†	316	Chicago	65	199	Beatrice Co.
elly, William Russell	178	Troy, Mich.	82	490	Kelly Services
ennedy family	286	Boston orig.	–	600	Inheritance

★New entry ☆Returnee ●Dropout †Near miss

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	Page	Residence	Age	Worth ($mil)	Primary sources
Kerkorian, Kirk	146	Los Angeles, Las Vegas	70	$950	Investments
King family	286	Short Hills, N.J.; NYC; Malibu, et al.	—	360	King World Productions
Kleberg family	286	King Ranch, Tex.	—	1,000	Inheritance, oil
Klink, Bettina☆	239	Los Angeles	46	225	Inheritance (Dow Jones)
Kluge, John Werner	114	Charlottesville, Va.	73	3,000	Metromedia
Knight, James Landon	205	Bal Harbour, Fla.	78	335	Knight-Ridder, Inc.
Knight, Philip Hampson	204	Hillsboro, Ore.	49	345	Nike, Inc.
Koch, Charles de Ganahl	148	Wichita, Kans.	51	850	Oil services
Koch, David Hamilton	148	NYC	47	850	Oil services
Koch, Frederick Robinson	166	NYC	54	375	Oil services
Koch, William Ingraham	166	Boston	47	550	Oil services
Kohlberg, Jerome Jr.	204	Mt. Kisco, N.Y.	62	345	Leveraged buyouts
Kohler family	286	Kohler, Wis. origin	—	300	Plumbing fixtures
Koll, Donald Michael★	213	Newport Beach, Calif.	54	300	Real estate
Kozmetsky, George●	308	Austin, Tex.	70		Teledyne
Kravis, Henry R.	204	NYC	43	345	Leveraged buyouts
Krehbiel, John Hammond Sr.	206	Downers Grove, Ill	81	335	Molex, Inc.
Kroc, Joan Beverly	137	La Jolla, Calif.	59	1,000	Inheritance (McDonald's)
L					
Laird family●	—	Delaware area	—	—	Inheritance (Du Pont)
Landegger family	286	NYC, London, et al.	—	330	Paper mills
Lauder, Estée	182	NYC	"69"	433	Cosmetics
Lauder, Leonard Alan	182	NYC	54	433	Cosmetics
Lauder, Ronald Steven	182	NYC	43	433	Cosmetics
Lauren, Ralph	200	NYC, et al.	48	350	Apparel
Lawrence, M. Larry	228	San Diego, et al.	61	250	Real estate
Lawrence family	288	NYC area	—	400	Inheritance (real estate)
Lear, Norman Milton●	306	Los Angeles	65	—	Television
LeBaron, Dean Francis†	312	Brookline, Mass.	54	220	Money management
LeBow, Bennett Stephen★	235	Essex County, N.J.	49	235	Buyouts
LeFrak, Samuel Jayson	132	NYC	69	1,200	Real estate
Lerner, Theodore Nathan†	312	Chevy Chase, Md.	61	215	Real estate
Levine, Leon●	308	Charlotte, N.C.	50	—	Family Dollar Stores
Lilly family	288	Indianapolis, et al.	—	1,500	Pharmaceuticals
Lindner, Carl Henry II	137	Cincinnati	68	1,000	Insurance, banking
Littlefield, Edmund Wattis★	234	Burlingame, Calif.	73	245	Utah International
Litwin, Leonard	239	NYC	Early 70s	225	Real estate
Louis, John Jeffry Jr.	184	Winnetka, Ill.	62	410	Inheritance (Johnson Wax)
Ludwig, Daniel Keith	170	NYC	90	500	Shipping, real estate
Lunger, Mary Jane du Pont●	308	Wilmington, Del.	73	-	Inheritance (Du Pont)
Lupton, John Thomas	170	Chattanooga, Tenn.	61	500	Coca-Cola bottling
Lurie, Robert Alfred	201	San Francisco	58	350	Inheritance, real estate
Lurie, Robert Harris	206	Chicago	45	330	Real estate, investments
Lusk, John David★	236	Newport Beach, Calif.	79	225	Real estate
Lykes family	288	Florida orig.; New Orleans, et al.	—	1,000	Shipping
Lyon, William★	238	Newport Beach, Calif.	64	225	Real estate
M					
MacElree, Jane Cox	182	Newtown Square, Pa.	58	450	Inheritance (Dow Jones)
Mack family	288	NYC area	—	450	Real estate
MacMillan, Cargill Jr.	239	Minneapolis	60	225	Inheritance (Cargill, Inc.)
MacMillan, John Hugh III	239	Hillsboro Beach, Fla.	59	225	Inheritance (Cargill, Inc.)
MacMillan, Whitney	239	Minneapolis	58	225	Inheritance (Cargill, Inc.)
MacMillan, W. Duncan	239	Wayzata, Minn.	57	225	Inheritance (Cargill, Inc.)
MacMillan family	268	Minneapolis orig.		2,000	Inheritance (Cargill, Inc.)
Magness, Bob John	152	Englewood, Colo.	63	740	Cable TV
Malkin, Judd David	184	Winnetka, Ill	49	400	Real estate
Mandel, Jack N.☆	235	Shaker Heights, Ohio	76	240	Premier Industrial Corp.
Mandel, Joseph C.☆	235	Lyndhurst, Ohio	73	240	Premier Industrial Corp.
Mandel, Morton Leon☆	235	Shaker Heights, Ohio	66	240	Premier Industrial Corp.
Mann, Ted†	316	Los Angeles	64	210	Movie theaters
Manoogian, Alex☆	168	Grosse Pointe Farms, Mich.	86	250	Masco Corp.
Manoogian, Richard Alexander★	168	Grosse Pointe Farms, Mich.	51	530	Masco Corp.
Markkula, Armas Clifford Jr.☆	178	Woodside, Calif.	45	470	Apple Computer
Marriott, Alice Sheets	198	Washington, D.C.	80	350	Inheritance (Marriott Corp.)

★New entry. ☆Returnee. ●Dropout. †Near miss.

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Marriott, John Willard Jr.	198	Chevy Chase, Md.	55	$350	Inheritance (Marriott Corp.)
Marriott, Richard Edwin	198	Potomac, Md.	48	350	Inheritance (Marriott Corp.)
Mars, Forrest Edward Jr.	132	McLean, Va.	56	1,150	Candy
Mars, Forrest Edward Sr.	132	Las Vegas	80s	1,150	Candy
Mars, John Franklyn	132	Arlington, Va.	53	1,150	Candy
Marshall, Barbara Hall	166	Kansas City, Mo.	64	275	Inheritance (Hallmark Cards)
Marx, Leonard Maximilian	219	Scarsdale, N.Y.	83	300	Real estate
May, Cordelia Scaife	184	Ligonier, Pa.	59	400	Inheritance
May, Irene Sophie du Pont	234	Wilmington, Del.	86	240	Inheritance (Du Pont)
McCaw, Bruce R.★	209	Seattle	41	315	McCaw Cellular Communications
McCaw, Craig O.★	209	Seattle	38	315	McCaw Cellular Communications
McCaw, John Elroy Jr.★	209	Seattle	36	315	McCaw Cellular Communications
McCaw, Keith W.★	209	Seattle	34	315	McCaw Cellular Communications
McClatchy family	288	Sacramento, Calif.; et al.	—	550	Newspapers
McDonnell family	288	St Louis	—	400	McDonnell Douglas
McGovern, Patrick Joseph	208	Nashua, N.H.	50	320	Publishing
McGraw family	288	NYC et al.	—	840	McGraw-Hill
Mead family	290	Wisconsin Rapids	—	640	Consolidated Papers Inc.
Mellon, Paul	148	Upperville, Va.	80	850	Inheritance
Mellon, Richard Prosser●	308	Ligonier, Pa.	48	—	Inheritance
Mellon, Seward Prosser●	308	Ligonier, Pa.	45	—	Inheritance
Mellon, Timothy	238	Manchester, N.H. area	45	225	Inheritance
Mellon family (Richard K.)	290	Ligonier, Pa.	—	600	Inheritance, banking
Mendik, Bernard H.	215	NYC	58	300	Real estate
Meyer, August Christopher	194	Champaign, Ill.	86	375	Broadcasting
Milbury, Cassandra Mellon●	308	Ligonier, Pa.	47	—	Inheritance
Milken, Michael Robert	160	Encino, Calif.	41	600	Financier
Millard, William H.●	308	San Vincente, Saipan	55	—	ComputerLand
Milliken, Gerrish Hill	154	Greenwich, Conn.	70	650	Textiles, investments
Milliken, Minot King	154	NYC	71	325	Textiles, investments
Milliken, Roger	137	Spartanburg, S.C.	71	1,000	Textiles, investments
Mills, Alice Francis du Pont	213	Middleburg, Va.	74	300	Inheritance (Du Pont)
Milstein, Monroe Gary	228	Burlington, N.J.	60	250	Burlington Coat Factory Warehouse
Milstein, Paul	213	NYC; Scarsdale, N.Y.	65	300	Real estate, investments
Milstein, Seymour	213	NYC; Scarsdale, N.Y.	67	300	Real estate, investments
Mitchell, George Phydias	178	Houston	68	470	Oil, real estate
Monaghan, Thomas Stephen	215	Ann Arbor, Mich.	50	300	Pizza
Moncrief, William Alvin Jr.	215	Fort Worth	67	300	Oil
Mondry family●	—	Dearborn, Mich.	—	—	Highland Superstores
Moody, Robert Lee	174	Galveston, Tex.	52	500	American National Insurance
Moore, Gordon Earle☆	178	Santa Clara County, Calif.	58	465	Intel Corp.
Moore, Jerry J.	166	Houston	59	550	Shopping centers
Morgan, Frank Sherman	227	Kansas City, Mo.	60	250	Banks, real estate
Morris, William Shivers III	201	Augusta, Ga.	53	350	Newspapers
Mott family●	—	Flint, Mich.	—	—	Inheritance
Mugar, David Graves★	220	Boston	48	285	Inheritance, broadcasting
Murdoch, Keith Rupert	118	NYC, London	56	2,100	News Corp.
Murdock, David Howard	150	Bel Air, Calif.	64	800	Investments
Murphy family	290	El Dorado, Ark.	—	600	Oil
Muss, Stephen●	308	Miami Beach	59	—	Real estate
N					
Naify, Marshall★	176	San Francisco	67	500	Movie theaters, cable TV
Naify, Robert Allen★	176	San Francisco	65	500	Movie theaters, cable TV
Newhouse, Donald Edward	116	NYC	58	2,350	Publishing
Newhouse, Samuel Irving Jr.	116	NYC	59	2,350	Publishing
Nichols, Miller	206	Prairie Village, Kans.	76	325	Real estate
Nielsen, Arthur Charles Jr.	209	Winnetka, Ill.	68	315	A.C. Nielsen Co.
Nordstrom family	290	Seattle	—	1,200	Retailing
Norris, Diana Strawbridge●	310	Palm Beach	45	—	Inheritance (Campbell Soup)
O					
O'Connor family	290	Victoria, Tex.	—	500	Inheritance, oil
Olsen, Kenneth Harry	176	Lincoln, Mass.	61	490	Digital Equipment Corp.
O'Neill, Abby Milton●	310	Oyster Bay, N.Y.	59	—	Inheritance
O'Neill, Richard Jerome	224	San Juan Capistrano, Calif.	64	275	Inheritance, real estate
Ordway family	290	St. Paul orig.	—	400	Inheritance (3M)
Ottaway, James Haller Sr.☆	227	Campbell Hall, N.Y.	76	255	Newspapers

★New entry. ☆Returnee. ●Dropout. †Near miss.

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P					
Packard, David	116	Los Altos Hills, Calif.	75	$2,870	Hewlett-Packard
Palevsky, Max●	310	Beverly Hills	63		Computers
Paley, William S	180	NYC; Southampton, N.Y.	86	450	CBS
Pamplin, Robert Boisseau★	234	Portland, Ore.	75	250	Textiles
Park, Roy Hampton	166	Ithaca, N.Y.	77	550	Park Communications
Parker, Jack	201	NYC; Boca Raton, Fla.	72	350	Real estate
Patterson, Andrea Currier●	310	The Plains, Va.	31		Inheritance
Paulson, Allen Eugene	235	Savannah, Ga.; Sanford, Fla	65	240	Gulfstream Aerospace Corp.
Paulucci, Luigino Francesco	170	Duluth, Minn.	69	500	Food processing, real estate
Paxson, Lowell W.	162	Clearwater, Fla.	52	385	Home Shopping Network
Pearson, Edith du Pont	216	Montchanin, Del.	75	300	Inheritance (Du Pont)
Peery, Richard Taylor★	227	Palo Alto, Calif.	48	250	Real estate
Pennington, Claude B	186	Baton Rouge, La.	86	400	Oil, gas
Pennington, William Norman	208	Reno, Nev.	64	325	Circus Circus
Perdue, Franklin Parsons	174	Salisbury, Md.	67	500	Chickens
Perelman, Ronald Owen★	216	NYC	44	300	Leveraged buyouts
Perenchio, Andrew Jerrold	186	Bel Air, Calif.	56	400	Television
Perot, Henry Ross	116	Dallas	57	2,900	Electronic Data Systems
Petersen, Robert Einar	208	Beverly Hills	60	325	Publishing
Petrie, Milton Jack	128	NYC	85	1,300	Petrie Stores
Pew family	290	Philadelphia orig.	—	380	Inheritance, oil
Phipps, Howard Jr.●	310	Westbury, N.Y.	53	—	Inheritance
Phipps family	290	Pittsburgh orig.	—	1,900	Inheritance (steel)
Pictet, Marion MacMillan	239	Geneva, Switzerland	54	225	Inheritance (Cargill, Inc.)
Pigott family	292	Seattle	—	615	Inheritance (Paccar)
Pitcairn family	292	Bryn Athyn, Pa., et al.	—	650	Inheritance (Libbey-Owens-Ford)
Pogue, Alfred Mack	218	Dallas	53	300	Real estate
Pohlad, Carl Ray	164	Minneapolis	72	550	Banks, investments
Pontikes, Kenneth Nicholas☆	219	Barrington, Ill.	47	295	Computer leasing
Price, Sol☆	206	La Jolla, Calif	71	325	The Price Co
Pritzker, Jay Arthur	120	Chicago	65	1,900	Financier
Pritzker, Robert Alan	120	Chicago	61	1,900	Financier
Pulitzer family	292	St. Louis; et al.	—	520	Inheritance (publishing)
Pulliam, Eugene Smith☆	156	Indianapolis, Scottsdale, Ariz.	73	650	Newspapers
R					
Rains, Liliore Green●	306	Beverly Hills	dec.	—	Inheritance (oil)
Rainwater, Richard Edward★	236	Fort Worth; Nantucket	43	225	Investments
Redstone, Sumner Murray	166	Newton Centre, Mass.	64	535	Movie theaters, investments
Reed family●	-	Seattle, et al.	—	—	Inheritance (timber)
Reid, Elizabeth Ann	166	Denton, Tex.	66	275	Inheritance (Hallmark Cards)
Resnick, Burton Paul☆	190	Rye, N.Y.	50	400	Real estate
Reynolds, Donald Worthington	154	Las Vegas	81	700	Publishing, cable TV
Rich, Marc	150	Zug, Switzerland	53	750	Commodities trader
Rich, Robert Sr.	180	Point Abino, Ont.; Palm Beach	74	450	Food products
Richardson family	292	Greensboro, N.C.; et al.	—	500	Inheritance (Richardson-Vicks)
Rinker, Marshall Edison (Doc)	188	Palm Beach, Fla.	82	400	Cement
Roberts, George R.	204	San Francisco	44	345	Leveraged buyouts
Robinson, Jesse Mack★	224	Atlanta	64	275	Banking
Rock, Arthur J.☆	240	San Francisco	61	225	Venture capitalist
Rockefeller, David	136	NYC; Tarrytown, N.Y.	72	1,000	Inheritance, banking, real estate
(Rockefeller), Hope Aldrich●	310	Woodstock, Vt.	49	—	Inheritance
Rockefeller, John Davison IV●	310	Wash., D.C.; Charleston, W.Va.	50	—	Inheritance
Rockefeller, Laurance Spelman	146	NYC; Tarrytown, N.Y.	77	900	Inheritance, investments
Rockefeller, Winthrop Paul	152	Winrock Farm, Ark.	39	750	Inheritance
Rockefeller family	292	Scattered	—	2,000	Inheritance (oil)
Rockefeller (William) family	292	Scattered		350	Inheritance (oil)
Rollins, John William‡	312	Greenville, Del.	71	220	Entrepreneur
Rollins, Orville Wayne	150	Atlanta	75	815	Entrepreneur
Root, Chapman Shaw	236	Ormond Beach, Fla.	62	230	Coca-Cola bottling, broadcasting
Rose family	296	NYC	—	350	Real estate
Rosenberg, Ruth Blaustein	174	Baltimore	88	250	Inheritance (oil)
Rosenwald family	296	Philadelphia, NYC, et al.	—	300	Inheritance (Sears, Roebuck)
Rudin, Jack	154	NYC	63	700	Real estate
Rudin, Lewis	154	NYC	60	700	Real estate
Rust, Eleanor Francis du Pont	234	Thomasville, Ga.	80	240	Inheritance (Du Pont)
Ryan, Patrick George	236	Chicago	50	230	Insurance

★New entry. ☆Returnee. ●Dropout. ‡Near miss.

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ckler, Arthur Mitchell●	306	NYC	dec.	—	Psychiatric research, art
rofim, Fayez Shalaby★	212	Houston	58	$300	Money management
aife, Richard Mellon	164	Shadyside, Pa.	55	550	Inheritance, publishing
harbauer, Clarence Jr.	240	Midland, Tex.	62	225	Inheritance (oil, land)
hnitzer family	296	Portland, Ore.; Palm Springs	—	300	Steel, shipping, real estate
ripps (E.W.) family	296	Cincinnati orig.		2,000	Inheritance (newspapers)
ripps (J.E.) family	296	Detroit area, et al.	—	750	Inheritance (newspapers)
arle, Daniel Crow	232	Winnetka, Ill.	61	250	Inheritance (G.D. Searle)
arle, William Louis	232	Lake Forest, Ill.	59	250	Inheritance (G.D. Searle)
gerstrom family	296	Orange County, Calif.	—	400	Real estate
lig, Martin†	316	Seattle	50	210	Real estate
arp family●	—	Wilmington, Del. area	—	—	Inheritance (Du Pont)
arp, Peter Jay	275	NYC	57	275	Real estate
eehan, Jean Ellen du Pont●	310	Coral Gables, Fla.	64	—	Inheritance (Du Pont)
erman family	296	Dayton, Ohio	—	425	Office equipment
oen, Leonard Samuel●	310	Las Vegas	71	—	U-Haul
oen family	298	Phoenix	—	300	U-Haul
orenstein, Walter Herbert	200	San Francisco	72	350	Real estate
lamon-Eristoff, Anne Phipps●	310	NYC	55	—	Inheritance
lman, Mariana du Pont	234	Montchanin, Del.	76	240	Inheritance (Du Pont)
lverstein, Larry Abraham	194	NYC	56	375	Real estate
nmons, Harold Clark	134	North Dallas, Montecito, Calif.	56	1,150	Investments
mon, Esther Annenberg●	310	NYC	86	—	Inheritance (publishing)
mon, Herbert★	174	Indianapolis, NYC, Beverly Hills	52	250	Shopping centers
mon, Melvin	174	Indianapolis, NYC, Beverly Hills	60	500	Shopping centers
mon, Norton Winfred	152	Los Angeles area	80	750	Industrialist, art collector
mon, William Edward	186	New Vernon, N.J.	59	400	Leveraged buyouts
mplot, John Richard●	310	Boise, Idaho	78	–	Potatoes
ngleton, Henry Earl	156	Los Angeles	70	615	Teledyne
aggs, Leonard Samuel Jr.	178	Salt Lake City	64	480	American Stores
hart, Richard Palmer Kaleioku	224	Honolulu and Waimea, Hawaii	74	275	Inheritance, ranching
nith, Athalie Irvine (Joan)●	310	Middleburg, Va.	54	–	Inheritance, lawsuits
nith, Frederick Wallace	219	Memphis	43	295	Federal Express Corp.
nith, Marian Uldine Day	218	Atlanta	53	300	Inheritance (Days Inns)
nith, Richard Alan	174	Chestnut Hill, Mass.	63	500	General Cinema Corp.
nith, Vivian Leatherberry	228	Houston	79	250	Inheritance (oil, real estate)
nith family	298	Chicago orig.	–	810	Illinois Tool Works
nith (Charles) family	298	Washington, D.C.	–	500	Inheritance (real estate)
yder, Richard Wesley	202	Dallas	49	350	Snyder General
low, Sheldon Henry	180	NYC	Early 50s	450	Real estate
renson, James LeVoy	178	Salt Lake City	66	480	Medical devices
ros, George★	219	NYC	56	300	Money manager
snoff, Martin Toby†	316	NYC; New Canaan, Conn.	55	210	Stock market, money management
well, Anne Windfohr●	310	Fort Worth	48	–	Inheritance
anos, Alexander Gus	176	Stockton, Calif.	64	500	Real estate
eer, Roy Merrill	162	Clearwater, Fla.	55	600	Home Shopping Network
elling, Aaron●	308	Holmby Hills, Calif.	64	–	Television
iegel, Abraham★	218	Beverly Hills	81	300	Columbia Savings & Loan
ielberg, Steven Allen★	240	Beverly Hills, et al.	39	225	Movies
ahl, Stanley Irving	201	NYC	63	350	Real estate
einberg, Saul Phillip	154	NYC	48	660	Financier
ephens, Jackson Thomas	168	Little Rock	65	500	Investment banking, oil, gas
ephens, Wilton Robert	168	Little Rock	79	500	Investment banking, oil, gas
ern, Leonard Norman	137	NYC	49	1,000	Pet supplies, real estate
one family	298	Chicago	–	540	Stone Container
rawbridge, George Jr.●	310	West Chester, Pa.	48	–	Inheritance (Campbell Soup)
roh family	298	Detroit	–	500	Inheritance (beer)
uart, Dwight Lyman●	310	Beverly Hills	62		Inheritance
uart, Elbridge Hadley Jr.●	310	Bellevue, Idaho	70		Inheritance
uart family	298	Bellevue, Idaho; Los Angeles	–	400	Inheritance (Carnation Co.)
lzberger, Arthur Ochs	182	NYC	61	440	New York Times Co.
lzberger, Iphigene Ochs	182	NYC	95	440	New York Times Co.
therland family●		Kansas City, Mo.			Sutherland Lumber
vanson, Robert A.†	316	San Francisco area	39	200	Genentech
vig family	298	San Francisco		550	Real estate
ms, Sy	235	Lyndhurst, N.J.	61	240	Syms Corp.

New entry †Returnee ●Dropout ‡Near miss

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Index To The Forbes Four Hundred

	Page	Residence	Age	Worth ($mil)	Primary sources
–					
per, Sydney Mark	208	Beverly Hills	85	$320	First Charter Financial Corp.
uber, Laszlo Nandor	180	Potomac, Md.	72	450	Real estate
ubman, Adolph Alfred	122	Bloomfield Hills, Mich.	62	1,500	Real estate
ylor family	300	Boston orig.	–	700	Inheritance (publishing)
mple family	300	Diboll, Tex.; et al.	–	1,000	Inheritance (timber)
rra, Daniel James☆	234	Chicago; Washington, D.C.	76	245	Lawter International, art
alheimer, Louis	174	Baltimore	43	250	Inheritance (oil)
ompson family	300	Dallas	–	380	Inheritance (Southland Corp.)
orne, Oakleigh Blakeman	168	Millbrook, N.Y.	55	530	Commerce Clearing House
sch, Laurence Allan	136	NYC; Rye, N.Y.	64	1,000	Loews Corp.
sch, Preston Robert	136	NYC; Harrison, N.Y.; Wash., D.C.	61	1,000	Loews Corp.
mpkins family●	—	San Francisco	--	—	Esprit de Corp.
amiel, Jack★	194	Zephyr Cove, Nev.; Saratoga, Calif.	59	375	Atari Corp.
ump, Donald John	150	NYC	41	850	Real estate
rner, Robert Edward (Ted) III	180	Roswell, Ga.	48	465	Turner Broadcasting System
'son, Barbara★	188	Fayetteville, Ark.	38	325	Inheritance (Tyson Foods)
'son, Donald John	188	Springdale, Ark.	57	400	Tyson Foods
'son, Randal William●	306	Fayetteville, Ark.	dec.	–	Tyson Foods
/					
ltschi, Albert Lee☆	218	Greenwich, Conn.	70	300	FlightSafety International
ohn family	300	Kalamazoo, Mich.	–	2,300	Inheritance (Upjohn Co.)
-					
n Beuren, Hope Hill (Happy)	224	Middletown, R.I.	53	285	Inheritance (Campbell Soup)
n Every family	300	N.C., S.C., et al.	–	330	Inheritance (food)
n Kampen, Robert Donald†	312	West Chicago	48	220	Bonds, real estate
gel, Jacqueline Mars★	132	Bedminster, N.J.	48	1,150	Candy
n Platen, Ruth Chandler☆	215	San Marino, Calif.	89	300	Inheritance (Times Mirror Co.)
/					
agner, Cyril Jr.	194	Midland, Tex.	53	375	Oil, investments
alton, James Lawrence	190	Bentonville, Ark.	65	400	Wal-Mart Stores
alton, Sam Moore	114	Bentonville, Ark.	69	8,500	Wal-Mart Stores
ang, An	152	Lincoln, Mass.	67	725	Wang Laboratories
ard, Louis Larrick	174	Kansas City, Mo.	67	500	Russell Stover Candies
asserman, Lewis Robert	208	Palm Springs, Beverly Hills	74	325	MCA, Inc.
attis family	300	Ogden, Utah orig.	–	1,200	Inheritance (Utah International)
eber, Charlotte Colket	224	Ocala, Fla.; NYC	44	240	Inheritance (Campbell Soup)
ege family	284	Grand Rapids	–	1,000	Steelcase
eiler family	300	NYC	--	500	Real estate
einberg, Harry	150	Honolulu; Baltimore, Md.	79	800	Real estate, securities
einberg, John Livingston★	238	NYC	62	225	Goldman, Sachs & Co.
eis, Robert Freeman	156	Sunbury, Pa.	68	510	Weis Markets, Inc.
eis, Sigfried	156	Lewisburg, Pa.	71	620	Weis Markets, Inc.
exner, Bella	198	Columbus, Ohio	mid-70s	365	The Limited, Inc.
exner, Leslie Herbert	118	Columbus, Ohio	50	2,100	The Limited, Inc.
eyerhaeuser family	300	St. Paul, Seattle, et al.	–	1,000	Inheritance (timber)
hitney, Betsey Cushing Roosevelt	200	Manhasset, N.Y.	79	350	Inheritance
hittier family	302	Southern California	–	700	Inheritance (oil)
ien, Lawrence Arthur	200	NYC	82	350	Law, real estate
irtz family	302	Chicago	-	400	Inheritance (real estate)
olfe family	302	Columbus, Ohio; et al.	–	575	Inheritance (newspapers)
rigley, William★	204	Lake Geneva, Wis.; Chicago	54	345	Chewing gum
/					
ites family	302	Artesia, N.M.		300	Oil
-					
ell, Samuel	206	Chicago	45	330	Real estate, investments
ff, William Bernard Jr.	146	Manalapan, Fla.; Pawling, N.Y.	57	975	Publishing
ackerman, Mortimer Benjamin	202	NYC; Washington, D.C.	50	350	Real estate

New entry. ☆Returnee. ●Dropout. †Near miss.

CONNECTICUT

Special Advertising Supplement

BIRTHPLACE OF YANKEE INGENUITY

YANKEE ingenuity is as integral to Connecticut as its lush hills, village greens and white-steepled churches. It is, after all, the state of Eli Whitney, Igor Sikorsky, the Remington Repeater and the Colt .45. It is the birthplace of the steamboat, accident insurance, the submarine (nuclear, as well as conventional), the mail-order business, the Frisbee®, long-playing phonograph records, the lollipop and the hamburger.

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UNITED TECHNOLOGIES

CONNECTICUT

BIRTHPLACE OF YANKEE INGENUITY

Nor is Connecticut inventiveness a mere relic. It is alive and kicking in the state, which ranks third in the nation in terms of patents per capita.

But Connecticut is more than a birthplace for ideas. It is, above all, a state that welcomes and nourishes its enterprises, large and small. *Inc.* Magazine rated Connecticut first among all fifty states in attractiveness to small businesses in a 1984 report. And last spring, the Corporation for Enterprise Development, a non-profit research group in Washington, D.C., named it one of the nation's top four business states in terms of economic performance, capacity, vitality and policy strength.

GOVERNMENT INCENTIVES

SITUATED in the economic and demographic heart of the Northeast, Connecticut is a state that takes business seriously, with a unique array of government incentives for young companies and programs to help outside businesses with strategic relocations.

Connecticut is a broadly diversified economy whose most important natural asset is its people. The state's work force – white and blue collar – is among the nation's most skilled and dedicated. Entrepreneurs and executives who locate their businesses in Connecticut are invariably astonished at the superb work ethic they encounter.

The state has an honored, longstanding tradition of manufacturing. It was one of the first industrialized states, and about one-third of the work force still engages in industry. Connecticut leads the nation in machine tools per 1,000 population. Yet the Connecticut work force also boasts more engineers and military contracts per capita than any other state, as well as more research laboratories. Biotechnology and state-of-the-art transportation equipment are two of the most rapidly growing sectors in the economy. And Hartford, the insurance capital of America, probably leads the country in per capita computer skills.

In short, Connecticut retains its Yankee ingenuity, as well as its Yankee vitality. Considering the state's wealth of educational, environmental and human resources, it is hardly surprising that Connecticut boasts the highest per capita income in the United States – $19,208 last year, compared with a national average of $14,461. (Connecticut also has the United States' second lowest unemployment rate, behind much less populous New Hampshire.) "This tremendous accomplishment is the result of our many efforts over the past several years to diversify our economy and produce steady, long-term growth," notes Governor Bill O'Neill. "But most importantly, it is a tribute to the working men and women of this state. Our residents work hard, and it is because of their skills that we have this strong economy."

CONNECTICUT IS CLASSIC

CONNECTICUT is pro-business and pro-growth, but it also treasures its scenic and cultural beauty, as well as its gracious New England living. Notes Governor O'Neill: "As one of the original thirteen colonies, we have historic town greens, authentic colonial architecture and classic New England landscapes – from the shortline to the rolling Litchfield Hills. We offer a rich blend of events – from chamber music in the hills to musters of fife and drum corps, from country fairs to straw hat theater.

"Beyond that, Connecticut is a place

WHY BUSINESSES THRIVE IN CONNECTICUT

ROBERT F. DANIELL

Chairman and Chief Executive Officer
United Technologies Corporation

"Connecticut is blessed with some the most innovative and success manufacturers in the world, whi has helped us weather the worst of t industrial dislocation this nation h experienced in recent years.

"Although we don't have the r tion's lowest energy costs, wage rat taxes, land or construction costs, wh we do have in Connecticut is a lo history of inventiveness and inger ity, and because we have a skill workforce that is the envy of much the world, we have been able to ov come many of the things we do have.

"The marketplace for Connecticu goods is the world – and the compe tion is everywhere. Today, comm ted corporate leadership, and the be brightest technical minds in t world, are working hard to help t state's manufacturing thrive."

GORDON ULMER

Chairman
Connecticut Bank and Trust

"This is a good place to do busine because it's a good place to live. It's prosperous state, and we're locat between Boston and New York o one plane, and between the mou tains and the beach on another. We' seen a lot of new high tech and d fense contract industries in the last t years because we have such a den concentration of terrific schools, a the people want to stay here.

"But let's not forget that we have governor who's been very good. A the state is a bastion of the arts. It ad up to a pretty good place to run bank. I like it."

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where old and new coexist; where the past is revered, yet innovation is valued. In Connecticut, class Yankee skills and know-how share the limelight with warm welcomes," Governor O'Neill says.

Connecticut does not have the intense urbanization of our Northeastern neighbors, and we are determined that we never will, according to State Economic Development Commissioner John J. Carson. The state takes what he calls a "classic Yankee approach" to economic

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Joel Alvord

Chairman
Connecticut National Bank

"Connecticut is not as large as so states, but that disadvantage is of by its wealth, its extraordinary edu tional advantages, its populati high level of skills, a strong work e and good cooperation between bu ness and labor.

"I've seen dramatic change h over the past twenty years. Fairf County now has the third largest c centration of Fortune 500 compan in the country, and the growth in and breadth of financial instituti here has been dynamic. But while economy has changed from a cycli capital goods economy to a dive fied, service-oriented economy, w retained a lot of our traditional sk our manufacturing know-how and ent.

"The other advantage of do business here is the public sec State and local governments alike very business oriented. They are d icated to creating an economic clim that is conducive to fostering and veloping new businesses."

Sho Kamiisaka

Chairman
Konica Business Machines U.S.A.

"Konica will so celebrate its seco anniversary as Connecticut-ba company, hav bought the Ro Typewriter Com ny, which was established here 1908. We chose to remain in Conne icut because of the state's vibr economy, good transportation s tem, quality of life and, most imp tant, its existing base of dedicated e ployees.

"Connecticut provides a wealth resources for high technology fir such as ours. The state's econo strength and sense of partnership w business and industry make it an id environment for our contin growth."

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For businesses that must move data among many locations, there are the low-cost shared lines of ConnNet,® the first statewide local exchange packet switched network.

And for businesses of all types, we're working on ISDN—the Integrated Services Digital Network. Today, voice, data, video and facsimile messages require several different lines. Eventually ISDN will handle all of them simultaneously over ordinary phone lines.

Considering relocation? Consider Connecticut, the state served by the world class technology of SNET. For more information, or a copy of our annual report, please call 1-800-272-SNET.

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CONNECTICUT

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growth – "consistent, realistic and forward-thinking." Aware that Connecticut's native charm is its single greatest asset, the state works hard to promote growth that will not denude the lush Connecticut countryside. "While the Sunbelt was giving away the store to lure new plant location during the '70s," says Carson, "Connecticut responded by investing in its future – undertaking a long-term economic diversification strategy, putting government resources and policies behind a pro-growth partnership with the private sector and a guarantee to maintain a top-quality standard of living.

"Today, under the leadership and continuing commitment of Governor O'Neill, we are reaping handsome dividends – one of the lowest jobless rates in the nation, record income levels for our residents, an enviable quality of life, and surplus state revenues that are funding expanded educational opportunities, an unprecedented infrastructure-improvement program, and new housing initiatives."

The abundant strength of the Connecticut economy suggests that it has planned well for its residents and its businesses, laying a foundation for long-term economic growth, prosperity and leadership.

CONNECTICUT IS PRO-BUSINESS

CONNECTICUT has one of the best business climates in the nation, in part because of vigorous, but carefully administered, pro-growth programs:

- The first state-sponsored venture capital finance agency in the U.S. for new product development
- The nation's first urban enterprise zone program, with special tax incentives for businesses locating in ten localities across the state
- A $5.25 million effort, called "CONNSCIENCE/2000," to support special, high-tech business parks around two major educational centers –Yale University in New Haven and the University of Connecticut in Storrs
- A network of 100 attractive industrial parks with ready-to-build sites for general business purposes
- And a wealth of personal site and building location services to businesses considering a Connecticut location, plus sales leads and assistance for exporters, special technical and support services for small businesses, and a centralized, one-stop agency offering industrial financing from $10,000 working capital loans to $10 million revenue bonds.

BUSINESSMEN throughout the state attest to Connecticut's long-term approach to attracting new businesses and helping them grow.

The new Connecticut Seed Ventures Fund (CSV), an outgrowth of Governor Bill O'Neill's High Technology Council, provides critical early stage funding for enterprises too risky for conventional bank financing and too small for traditional venture capital investors. As a special limited partner in the fund, the state looks for just enough return on investment to cover its costs. As State Economic Development Commissioner John J. Carson puts it: "CSV fills the void created after entrepreneurs exhaust their own personal resources, second mortgages and in-laws." The principal goals: to promote new job creation, broaden the tax base, and stimulate the innovative process for which Connecticut is celebrated.

Meanwhile, the Connecticut Corporation for Product Development provides up to 60% of the eligible costs of developing a new product or process – from the initial business plan through fabrication of a production-ready product prototype.

"With an innovative and growing array of private and public-sector partnerships designed to lead Connecticut into the economy of the 21st Century, we are merging our development capital with our human and intellectual capital, which are among the finest in the country," Governor O'Neill says. ■

JAMES P. SCHADT

President and Chief Executive Officer
Cadbury-Schweppes, Inc.

"Our headqua ters are in Stamfo because of its uniq atmosphere, a mix residential and b business. You c combine major i ternational and U.S. business activ ties here with the kind of full famil life that's hard to have when you ri the train to New York everyday. A our employees love it.

"Stamford has all the major bus ness services you could ask for. All t Big Eight accounting firms are her along with major law firms. Yet i not like living in Atlanta or Detroi We can get to Wall Street or to o advertising agency in midtown Ma hattan in an hour or so. And proxim ty to an international airport is abs lutely crucial to us."

CHARLES KAMAN

President and Chairman
Kaman Corporation

"Connecticut e joys a high percen age of defense wor and the seeds f that were plant way back. As m company grew, w had the advantage of trafficking in t wealth of high tech capabilities. Her there are lots of very competent pe ple in engineering. That esprit a expertise has continued and today t state is very rich in terms of skille people.

H. JOSEPH GERBER

Chairman and Chief Executive Officer
Gerber Scientific

"From a company point of view, w are in one of the centers of the ma chine tool industry, so we have good skilled and trained people. We are no

Connecticut's business partner.

That's the reputation we've earned among middle market businesses that want to stand out.

You're proud of your company's size and growth.

You have clout when you need it... but you're not so big that you can't respond quickly and effectively to new opportunities.

You want access to decision makers who understand your business. With innovative products. And tailored services.

At Connecticut National, we have the know-how you want.

Among our broad array of services for the middle market are investment banking and cash management. Commercial lending that includes mortgage and asset-based financing. International trade and foreign exchange services. And employee benefits, such as pension and profit-sharing plans.

When you want the expertise that makes us the outstanding choice as Connecticut's business partner, please call Jay Morgan, Senior Executive Vice President, 203 240-7535.

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far from Boston, a world center for electronics, and transportation is quite good.

"It's a wonderful place to live. It has most things I want like seasons. I like to be close to metropolitan areas like New York and Boston, but not be living right in them. We're only 30 miles from the coast, and from the mountains, and there's no dirty industry anywhere near here."

BARRY MARCHESSAULT

President
Bloomingdale's By Mail, Ltd.

"We chose Connecticut because, as a mail order house, we're an information-intensive business. We felt that New England was ideal for a business like this. It was the place we wanted to be, not just for the climate, but for the ethics and integrity of the workforce. We get quality productivity.

"The Hartford area has a high degree of computer training, and the people here learn twice as fast as people elsewhere. Our customers are very upscale, so you want very good people communicating with them.

"And as a place to live, I love Connecticut and its traditional New England values. A lot of thought goes into how you treat your neighbor."

RONALD G. SHAW

Vice-President for Marketing
Pilot Pen

"We have an absolutely perfect working environment here in Connecticut. The taxes are fair, especially to the individual; fuel charges and corporate taxes are less. Most importantly we're thrilled to no end with the caliber of people we're hiring—good, family-type, qualified, educated people."

WALTER H. MONTEITH, JR.

Chairman and Chief Executive Officer
Southern New England Telephone

"Connecticut has a strong econon which has been growing at 3-to-5 pe cent annually. We have a well-b anced mix of manufacturing, servi and high-technology industries, a our state is home to one of the larg concentrations of large corpora headquarters in the nation."

V. HOLCK ANDRESEN

President
Lego Systems, Inc.

"Our parent co pany is Danish, a we decided on E field, Connecti for our U.S. fra chise back in 197 We wanted to be the East Coast, close to a seaport a an airport. We're lucky that wound up here. It's not only gre and lush, but the labor force is e tremely stable. The people are hi workers.

"The infrastructure is absolute superb, with good highways, a Bradley International Airport just minutes away. The state local gover ments here are also very helpf There simply aren't any of the b reaucratic obstacles you might e pect."

VICTOR KIAM II

Chairman
Remington Products,
and author, "Going For It! How to Succeed an Entrepreneur"

"When I boug the company, t seller—Sperry Co —was very interest in the continued e ployment of Re ington's people Bridgeport. I found out why. Th are loyal, dedicated, hard-workin and they feel they are part of a fami not simply employees."

CLASSIC SUCCESS STORY

illiam B. Ellis
EDC President)
airman & CEO
rtheast Utilities

Walter H. Monteith, Jr.
(CEDC Vice President)
President & CEO
Southern New England
Telephone Co.

Wallace Barnes
Chairman & CEO
Barnes Group

T. Mitchell Ford
Chairman & CEO (Ret.)
Emhart Corporation

Worth Loomis
President & Director
Dexter Corporation

George B. Harvey
Chairman & CEO
Pitney Bowes

Andrew C. Sigler
Chairman & CEO
Champion International

DeRoy C. Thomas
Chairman & CEO
Hartford Insurance
Group

Gordon I. Ulmer
Chairman & CEO
Connecticut Bank
& Trust Co.

he Connecticut Economic Development Corporation, the working link between the private public sectors, includes some of Connecticut's t progressive and influential business leaders. of these men represent companies which are necticut success stories, and each of them gnizes that cooperation is one of the keys to gress.

C helps to design and implement our economic print for prosperity. Together with state officials and businesses throughout Connecticut, CEDC continues to help write this classic American success story.

For further information, contact:
Commissioner John J. Carson
Connecticut Department of Economic Development
210 Washington Street, Suite 80
Hartford, CT 06106 or call: (203) 566-3787

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arsimonious all his life, John Jacob Astor ft virtually nothing to charity when he ied. Our attitudes toward philanthropy ave never been the same since.

"Poor Jacob!"

hn Jacob Astor, in a portrait he didn't like
e wealthiest man in America did not believe in philanthropy.

By Peter Baida

On Mar. 29, 1848, Philip Hone, a former mayor of New York City, made an entry in his diary: "John Jacob Astor died this morning at 8 o'clock, in the 85th year of his age. . . . Bowed down with bodily infirmity for a long time, he has gone at last, and left reluctantly his unbounded wealth."

Astor's death provoked a lively discussion of the meaning of his life. The discussion, still with us today, revealed a growing belief among Americans that those who had grown rich from the country should return some of the wealth in the form of public works. After Astor, America's emerging wealthy were forced at least to consider public giving in their wills.

To understand the fuss that followed his death, we need to know that Astor's life was a classic tale in America's rags-to-riches tradition. Born in Waldorf, Germany in 1763, the son of a man whom an early biographer described as "a jovial, good-for-nothing butcher," Astor arrived in the U.S. in 1784, after working three years for an uncle in London in a firm of musical instrument makers. His formal education was limited to the three Rs. His fortune, at 20, consisted of $25 in cash and seven flutes.

By 1786, with the help of his wife's dowry, Astor had opened a small shop in New York City and begun trading in furs. In 1789 he made the first of many purchases in the real estate of his adopted city: two lots on the Bowery Lane in Manhattan for $625.

The 1790s brought new opportunities for Astor. The Jay Treaty of 1795 opened much of the continental interior to American fur traders, and by 1800 Astor had become America's leading fur merchant, worth a quarter of a million dollars.

Astor, however, kept his overhead low, continuing to live like a poor shopkeeper so that he could plow his mounting profits into Manhattan land, and more land. On a trip to London in 1799, for example, Astor took a berth in steerage, exactly as he had done 15 years earlier, when he owned nothing but his flutes and the clothes on his back.

"Poor Jacob!" exclaims Arthur D. Howden Smith in a sympathetic biography. "Parsimoniousness turned into acquisitiveness, and acquisitiveness developed a passion for hoarding, and hoarding, once it was a confirmed habit, created the churlish penuriousness of the miser. Money! Everything was money."

A chance meeting on this trip to

Follow these f
and anyone ca

To look at our profits in 19 you might think that we'd de veloped a golden touch. Or h grasped the secrets of the Pyramid.

In reality, the key to our success is no secret.

It's just that after 59 years business, you'd expect a comp to learn a thing or two about turning a profit. In our case, w learned a thing or four.

Simple rules that have become the cornerstone of our corporate philosophy. And m us what we are today.

1 When you put the interest of your customers and shareholders first, everybody profits.

At Transamerica, success is the bottom line. Every investment we make, every decisic we take, is made for the good of our custom and investors. It is this dedication to the people who buy our products and to those w own our stock that has resulted in increasing dividends for 26 consecutive years. An when our customers benefit, our shareholders profit, and so do we.

2 Concentrate on what you do best, and build on your basic strength.

When we went into movies, airlines and rent-a-cars, they were the right moves for th times. When we divested them for sizeable ga our moves were just as timely. But for most of our 59 years, we've been what we are to day: A major player in the field of financial services. Focusing on basic businesses providing essential services to a proven market. With each and every operating compa

r simple rules imb to the top.

tegral part of the whole.

At Transamerica, we believe that financial services represents one of the greatest th industries of tomorrow. We believe that the future belongs to companies focus and build on their strengths. Thus, today we are uniquely positioned to in on the financial services industry's future growth.

Let the people in the field make the decisions they're in the best position to make.

Over the years, we've learned that you can't keep talented operating managers unless you let them operate without interference. We that no one understands the problems and concerns of our customers better than people who service their business for a living. So once business plans are ap- ed, our managers are encouraged to be innovative and entrepreneurial. Decisions are supported. New profit centers are established quickly and effi- ly as opportunities arise.

That way we maintain flexibility and encourage our operating companies to ate at their maximum potential.

The responsibility of corporate management is to add value to the entire corporation.

At Transamerica, the role of corporate management is to add value to the entire corporation. Which we do by providing marketing gth and financial expertise. And by constantly guiding and structuring the oration to position it for optimum growth.

ach part of Transamerica benefits from and is backed by the Power of the mid.

s a result, the Pyramid has emerged not only as one of America's most recog- l corporate symbols, but also as one of America's most successful corporations. is a belief in these four simple rules that has led Transamerica to increasing lends for 26 consecutive years. Led Transamerica to a $267,000,000 profit in . And is producing far greater profits in 1987.

Which may be why so many corporations are starting to ape everything we do.

Transamerica. THE POWER OF THE PYRAMID IS WORKING FOR YOU.®

London with a governor of the British East India Co. drew Astor to overseas trade, selling American furs for Chinese tea. Never a man to share profits, by 1803 he was building his own ships, and before long he had, as he liked to say, "a million dollars afloat."

Astor then determined to dominate the trans-Mississippi fur trade. By 1811 he had founded Astoria, Ore., as a trading outpost. And in 1816, partly in response to Astor's lobbying, Congress passed an act that forbade noncitizens from participating in the fur trade as proprietors. This act left Astor's great rival, the Northwest Co. of Canada, with little choice but to sell to Astor all of its posts below the Great Lakes.

Again Astor lobbied Congress, this time to abolish the trading posts that the government itself had operated since 1796. When Congress complied in the winter of 1821-22, the stage was set for one of the most uneven battles in the history of U.S. business—the fight between Astor's giant American Fur Co. and scores of small independent trading firms and individual trappers.

Yet in 1834, with the battle hardly more than ended, Astor sold out and retired. Partly, the sale was out of weariness—he was, after all, past 70. Partly, too, it was based on Astor's accurate intuition that the glory days of the fur trade had passed (high hats were being made of silk now, not beaver), and partly out of grief at the death of his wife.

Brown Brothers

Astoria, Oregon
His outpost in an uneven battle.

By this time Astor had become not only the wealthiest man in America but also "the landlord of New York." In all, he had invested approximately $2 million in New York City real estate, the foundation of a family fortune estimated at nearly half a billion dollars in the hands of his many great-great-grandchildren in 1929.

In his prime, Astor seems to have cared little for the public's opinion of him. But in his retirement years he began to worry about the judgment of posterity, and courted those who might help. He hired Washington Irving to write a history of his achievements. Irving was given a suite of rooms in Astor's country mansion, and in due course a satisfactory volume appeared. Rhapsodized Henry Wadsworth Longfellow: "The remarkable form of John Jacob Astor stands out like a statue of granite, a sublime enterprise."

But aspects of his lifelong parsi moniousness remained. Aside from his son William, the mai companions of Astor's retiremen were a poet, Fitz-Greene Halleck and a man of letters, Joseph Cogs well. On one occasion, legend ha it, Astor and Cogswell stopped a a hotel on the Hudson for tea Pointing to the proprietor, Asto said, "That man will never suc ceed." "Why not?" Cogswel asked. "Don't you see," Astor re plied, "what large lumps of suga he puts in the sugar bowl?"

Another time, as they walke toward a boat that Astor had char tered for a sail, Cogswell speculate that every minute that they kept th boat waiting cost Astor 25 cents. A this, it is said, the richest man i America "broke into a worried trot."

On Astor's death, the Americar media were deeply divided over wha his example meant to the emergin nation. The New York *True Su* gushed that "there are few men whos biography would prove more instruc tive or acceptable to the present age." Horace Greeley's New York *Tribun* was more circumspect. Praising As tor's "farseeing sagacity" and "vigor ous intellect," it decried "a melan choly, insane perversion of a huma life to make it mainly subservient t the acquirement of such a fortune."

James Gordon Bennett's New Yor *Herald* complained: "If Mr. Astor wa industrious in the accumulation o riches, he was likewise very penuri ous and niggardly in money mat ters. . . . He was a willin purchaser of mortgage from their needy holder at less than their face; an when they became due h foreclosed them, and pu chased the mortgage property at . . . ruinou prices."

The Boston *Travelle* spoke for many when i noted that Astor ha toiled to heap up a "vas pile of wealth—not a fa thing of which he can tak with him whither he ha been called from his so did labor."

The publication of As tor's will a week after hi death fueled the contro versy. Yielding to the en treaties of Joseph Cogs well, Astor had le $400,000 to establish public library in Ne York City (thus plantin the seed of one of th

The New York Public Library

Downtown Manhattan, 1848
"I would buy every foot of land on the Island of Manhattan."

orld's great libraries). But that was e end of Astor's interest in philanropy. The bulk of his vast fortune, nounting to some $25 million, the ugh equivalent of $330 million in day's dollars, was left to his eldest entally competent son, William ickhouse Astor, with smaller legaes for his mentally ill son and other ose relations. The only legacy outde Astor's family, besides his gift for e library, was an annuity of $200 to s employee of 16 years, Fitz-Greene alleck.

Contrast Astor's behavior, as did e media of the time, to the generosy of Astor's predecessor as the richt man in America, the Philadelphia nker and merchant Stephen Girard. hen he died in 1831, Girard left only out $200,000 to relatives, friends d retainers, out of an estate of $7.5 illion. The rest went for various iblic purposes.

"If we had been an associate of John cob Astor," Bennett's New York *rald* declared, "we would have unselled [him] to leave at least the lf of his property for the benefit of e city of New York. . . . What a or, mean and beggarly result!" The per added that in leaving the bulk of s fortune to one son, Astor had ught "to get round and evade . . . the merican law which prohibits primoniture, or the concentration of the hole of a man's property upon one ir, to the exclusion of the oths. . . . The great object of the will is create an Astor dynasty . . . and to ep up this dynasty by entailing the operty upon the regular successors the individual for ages to me." (As it happened, much of the stor fortune was dissipated by the 30s; such is the fate of many great rtunes. But the *Herald* writer can be rgiven for not having foreseen that 1848.)

Astor himself, one imagines, would ve responded to the media barbs ith a smile of wry contempt. When remembered his first weeks in ew York, hawking pastries before ildings he would one day own, he ust have felt a satisfaction that borred on ecstasy. Furs and tea, tea and rs, and land—always more land. Could I begin my life again," he said ar his end, "and had I the money to vest, I would buy every foot of land the Island of Manhattan." But the tpouring of public indignation at s failure to put something back into e society where he had made so uch guaranteed that no wealthy merican could blithely ignore the aims of philanthropy. In this, too, a w age had dawned. ■

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What do you get from politicians' financial disclosure reports? A little information, and very little disclosure.

How not to value a politician

By Laura Jereski

[Senator John] Heinz, a Republican whose wealth comes in part from trusts based on stocks in the H.J. Heinz Co., listed assets of $9.3 million to $12.1 million and more. His fortune was listed at $300 million by FORBES *magazine in 1986.*

—New York Times, May 20

Senator Heinz, we are happy to report, is now worth at least $380 million, placing the senator high among the richest Americans *(see p. 192)*. But how, we wondered when we read the *New York Times* item above, could our figures and the senator's be so far out of line? Where does that other $368 million or so come in?

Welcome to Washington, where personal financial disclosure has practically nothing to do with disclosing one's personal wealth. By design, in fact, it doesn't have much to do with financial disclosure, either.

Under the Ethics in Government Act of 1978, elected and appointed federal officials—from the President down to middle managers—must file financial reports every May. The reports purportedly tell the public what holdings and obligations an official has, and the media eagerly jump on them when they are released. As an insight into an official's financial standing, however, these so-called disclosure reports are next to useless.

On the reports, the politicians are required only to check off a range of asset values, income and liabilities. At the top end of the asset range is the all-encompassing category of "$250,001 and above." So if you're Senator Heinz and have, say, $363 million worth of H.J. Heinz stock, you write on the form: "Asset, H.J. Heinz stock," and check the valuation box marked "$250,001 and above."

Senator John Heinz and Postmaster General Preston Robert Tisch
A mere hint of wealth in their financial disclosures.

This is not to pick on Senator Heinz. The fault isn't his. It's the form's. Filling out a similar form, Preston Robert Tisch, appointed U.S. Postmaster General in August 1986, "disclosed" assets worth more than $33 million, and a two-year income of $12 million (not including his compensation over two years, $1,213,872, from Loews Corp.). But not even five times $33 million would have qual fied Tisch for even last place on Th Forbes Four Hundred, let alone place him among our billionaires. But th is where Tisch sits, by virtue of the $ billion he shares with brother Lar Tisch *(see p. 136)*.

The disclosure form is wonderful incomplete in other ways. Take, f example, personal residences. A co gressman or other official can have many Park Avenue apartments, A pen ski houses and Maine estates he or she wants without declari them as assets at all—as long as n income is derived from the property

With guidelines like these, wh bother with the financial disclosu filings at all? Because the law wa enacted not to indicate wealth—wha group of politicians would vote for th public's right to peek into their wa lets?—but to highlight potential co flicts of interest. The only thing th disclosure bill's sponsors wanted t see was a listing of financial interest and liabilities by name, not amoun Thus, to the disclosure form's ey owning 1 share of IBM is the same a owning 10 million shares. Under thi system of disclosure, if you own 10 shares of Unocal, say, and vote for a ta on imported oil, you opponents can dul note that you voted t feather your own nest.

Should the financia disclosure form b amended so as to repor figures closer to an offi cial's true net worth William Canfield, nine-year veteran c the Senate Select Com mittee on Ethics staff doesn't think so. "Th only information yo would get out of a ne worth statement is th dollar value of a per son's soul," says Can field. "And, as far a conflicts of interest go that's immaterial."

Fair enough. But reporters ofte grab the filings and report the finan cial "disclosures" therein as gospel According to *USA Today* reports o May's financial disclosure filings Congress counts at least 37 represen tatives and 19 senators with assets o $1 million or more among its mem bers. One can only imagine how many hundreds of millions in personal as sets go underreported. In the politica world as in the commercial world, n financial disclosure might well b preferable to meaningless financia disclosure. ■

On the Docket

Heirs have a way of suing their trustees to dip into capital. But the situation is certainly not hopeless.

Heir-tight

By Deirdre Fanning

GUY STILLMAN OF Scottsdale, Ariz. is 69. His brother James of Brownsville, Tex. is 83. Their grandfather, the late James Stillman, was once chairman of what became Citicorp. When he died in 1918, Stillman left trust funds for his grandchildren. By the late 1970s each brother's trust fund was worth about $8.5 million and threw off around $400,000 of annual income.

Poor Guy and James. A few years ago they wanted to invade the principal of their trusts for some $145,000 each. Guy wanted to make up for losses on a failed macadamia nut farming venture in Hawaii. James wanted to convert his beach house into a rentable commercial residence.

But the terms of the trusts stated that principal invasion was prohibited, unless the trustees specifically approved. Guy's and James' trustees felt that on $400,000 a year the two men could fund their needs out of their own money without tampering with their inherited capital. The trustees said no dipping into capital.

So the Stillmans sued the trustees. In 1980 a New York Surrogate Court sided with the brothers and ordered the trustees to fork over the money.

One can expect to see more such trust-busting attempts. Predicts Joseph Erdman, a trust lawyer at New York's Proskauer Rose Goetz & Mendelsohn: "Because of the tremendous wealth created in the booming stock market and through real estate development, you're going to see more and more [challenges] to trusts."

If preserving wealth and protecting beneficiaries from themselves are the goals in creating a trust, steps can be taken to make future trust challenges less attractive.

Start with the type of trust fund. Testamentary trusts, those trusts created in a will, are extremely tough to break. For the most part they can be challenged only as part of an overall will contest, and in New York, for example, less than 1% of will contests are ultimately successful. If there's a good chance an heir will someday try to dissolve his trust to get at its principal, protect him and the assets with a testamentary trust.

Heirs will have better luck doing what the Stillman brothers did: suing the trustees. Such suits seem most prevalent where the trustees are kin.

Consider International Harvester heir Brooks McCormick Jr. and the

Peter de Sève

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The hard work is paying off, with first half of 1987 net income up 60% to $427 million or $2.80 per share, compared to $266 million, or $1.75 per share in 1986.

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trustees of his $4 million trust fun
In 1977 McCormick began building
house in Illinois, relying on his tru
for the estimated $400,000 buildir
expenses. But overruns brought th
cost of the heir's house to $1.6 mi
lion. His trustees paid the contra
tors' bills out of his trust fund asset

That enraged McCormick. H
thought the trustees should hav
challenged the contractors' bills rat
er than paid them. So McCormic
sued his trustees in an Illinois sta
court for mismanaging his trust fun

McCormick's trustees consist
his father and the head of the fami
holding company, and McCormic
was not on speaking terms with h
father. The suit, in other words, w
as much about family problems as
was about money.

As it happens, the case was decide
in August; the heir lost. Still, tru
attorney Erdman advises clients
consider choosing trustees that a
tied neither emotionally nor by bloc
to the heirs. Corporate trustees, suc
as banks, are often good choices.

Trust creators who are bound ar
determined to see a fund's capital pr
served for many generations are we
advised to make their desires explic
in the documents establishing th
trust. Notes Henry Christensen III,
lawyer at New York's Sullivan
Cromwell: "There's very little a ben
ficiary can do [to get at the principa
if there is no discretion given to th
trustee to invade the principal." N
tice that in the case of the Stillma
brothers, invasion of principal was a
lowed if the trustees approved. Th
door to the capital was left ajar, ar
the heirs barged through.

What about life's unexpected disa
ters? Further explanatory langua
can be added to allow for the invasic
of principal under specific conc
tions—to cover, for example, healt
education or general emergency cos

As a final defense against hei
there is the strength of the comm
law trust concept itself. Notwit
standing the decision in the Stillma
case, judges thus far have proved ge
erally reluctant to support big-mon
trust or trustee challenges once th
actually get to court. "It's [still] ha
to beat a trustee," notes Theodo
Kurz, a lawyer at New York's Deb
voise & Plimpton. Over the yea
Kurz adds, courts have tended to co
clude that trustees "are there to pr
serve capital but are not [responsib
for] making huge profits for the trust

Still, if rising asset values do indu
a wave of trust challenges, it car
hurt to spend some time making tru
agreements as heir-tight as possible.

Risk Takers

What's this? A young, self-made centimillionaire-plus who doesn't owe his fortune to Mike Milken's junk bonds?

Buying companies the old-fashioned way

By Charles Siler

NOW THAT HE'S WORTH quite a lot of money, Robert S. Jepson Jr., founder and chairman of Jepson Corp., likes to give things away. Visitors to Jepson's suburban Elmhurst, Ill. headquarters might leave with a bottle of good chardonnay from Jepson's personal vineyard. Or a small sponge rubber baseball, from Jepson Corp.'s Ohio toy plant. In May Jepson donated $5 million to his alma mater, the University of Richmond (Va.), to build a "leadership center." Two years ago he gave Spokane, Wash.'s Gonzaga University $1 million for a new business school.

At the age of 45, Bob Jepson has made it—on paper, at least. He took Jepson Corp. public in August, close to the market top. With the stock selling at 13⅛, the 54% of the 19.5 million shares outstanding owned by Jepson is worth over $138 million. Another 3 million shares are held by Jepson's wife, Alice, and his two sons, and by company executives.

Another young centimillionaire brought to you by Michael Milken's junk bond revolution? Not at all. Jepson buys his companies the old-fashioned way, using commercial bank loans and notes payable to the companies from which he buys his assets.

Last year Jepson Corp. earned $16 million, triple 1985's profits of $5.2 million, on revenues of $446.8 million. This year it will probably earn $22 million, $1.15 a share. Next year? That depends entirely on what the economy does.

Paul Meredeth

Jepson Corp. Chairman and Chief Executive Robert S. Jepson Jr.
"How many times can you do deals for other people?"

WIDEBODY. MIS

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Research and Aerospace Technology

Risk? You bet there is risk in Jepson Corp. But it is different from the risk associated with junk debt.

Born in Richmond, Va., the son of an architectural engineer, Jepson helped pay his way through college by pumping gas, doing paperwork at the local Aetna office and other odd jobs. A personable young man, he became president of the student government, earned a degree in business administration and, in 1966, went to work at a local bank. The pay: $700 a month, plus tuition for night classes to earn a master's degree in commerce.

Degree in hand, Jepson set out to learn more about corporate finance. First stop: San Francisco, where he worked for Birr, Wilson Securities Inc. In 1977 he left the West Coast for Chicago, where he helped set up the mergers and acquisitions division for Continental Illinois Bank & Trust Co. In 1981 he moved to First National Bank of Chicago where he continued to arrange the sale of companies for the bank's clients.

There comes a time in every entrepreneur's life when putting in long hours for someone else no longer makes sense. Jepson was a valued employee making a good salary—around $125,000 in 1983—but the itch to work for himself grew unbearable.

"I really enjoyed the jobs," the soft-spoken financier recalls. "But you know, how many times can you do deals for other people?"

In 1983, when Jepson was 40 and still a senior vice president at First National, he bought his first company, Signet Optical Corp., a maker of eyeglass lenses, from American Hospital Supply Corp. He paid $2.9 million, only $1,000 of it his own money. To buy Signet, he borrowed $1 million from a banker he had met while at Birr, Wilson. That banker brought in a backer with another $1 million. American Hospital Supply chipped in the remaining $844,000 by taking back a note at 13% interest.

Signet, in other words, cost Jepson almost nothing—until three months later, when it couldn't meet its payroll as a result of poor cash management. Jepson dipped into his personal savings for the necessary $44,000. Signet's managers, accustomed to a big parent company paying the bills, got a quick lecture on cash flow from Jepson, and the problem was corrected.

Jepson has since refined his financing method, but not fundamentally altered it. Typically, he gets the banks to finance about 70% of the purchase price, and gets the rest in the form of a subordinated note held by the seller.

Using this formula, Jepson has acquired nine manufacturers in the four years he has been on his own. The largest was $135.7 million (sales) Hill Refrigeration Corp., a maker of freezers for supermarkets, which had pretax income of $9.6 million last year. Other Jepson companies include Denman Tire Corp., a tiremaker; Emerson Quiet Kool Corp., which makes window air conditioners; and companies that make air filters, airplane seats and industrial dyes.

How does one get rich on a bundle of rag-tag companies? A hot stock market, of course, and debt.

Jepson Corp. has $143 million in debt. This is not a capitalization geared to investors who worry about things that might go wrong—more foreign competiton, say, or rising interest rates, or a recession.

The debt load, Jepson insists, is bearable. For one thing, pretax, pre-

Hedstrom's Ohio plant, which had been making only toys, now makes globes for parking lot lights and battery boxes for wheelchairs.

interest cash flow is running at $52 million, against interest expense of about $16.5 million this year. But three-fourths of Jepson's debt bears adjustable interest rates. If interest rates soar, Jepson Corp. gets hurt.

Why are the people who sell to Jepson so willing to help him finance his deals? In many cases, because the assets are losing money and the seller is highly motivated to unload them.

Take Hedstrom Corp., which Jepson bought from Brown Group in 1985 for $49.6 million. The banks put up $29 million, Brown Group put up $9.6 million; the rest was liabilities assumed by Jepson. Hedstrom, a plastic-toy manufacturer, was losing money badly when Jepson bought it. Soon after gaining title to the assets, Jepson fired Hedstrom's longtime president, closed one of three plants, added shifts at the other two and set about building volume. The Ashland, Ohio plant, which previously made only toys, now cranks out globes for parking lot lights, elevated toilet seats for the handicapped and battery boxes for electric wheelchairs. This year Jepson expects sales to top $100 million. In the first half of 1987, Hedstrom earned $4.6 million pretax.

Jepson does what he can to accommodate sellers. In Hedstrom's case, Brown Group also wanted to sell its moneylosing Gerry Sportswear Corp. Jepson didn't want Gerry but took it in order to get Hedstrom. He says he's now looking for a buyer for Gerry which is still losing money.

When Jepson buys a company, h puts the debt on that company, not o Jepson Corp. In effect, he is buildin Jepson Corp. the way real estate in vestors expand: Each building carrie its own mortgage.

Jepson prefers manufacturing as sets, he says, because they tend t have the steady, predictable cas flows needed to service the assets debts. Says Jepson: "We want compa nies that can begin to repay thei debts immediately." But a good recession would make the cash flows predictably thin.

If all of this sounds easy, remembe that Jepson got in early, made th right contacts and went public in th best market in memory.

Once he gets a company, Jepso likes to keep his hands off the dail management—although, as the Hedstrom case shows, he does not shrin from dumping management if necessary. In most cases, he limits his interference to monthly visits to eac operation and to exhaustive annua financial reviews in which, he say he "takes each company apart."

Before Jepson went public, competent managements at newly acquire companies would receive, free, a 15 stake in their company, and Jepson pledge to buy back each executive shares at book value if they staye three years. When he went public Jepson converted these holdings int Jepson Corp. stock, with the resul that several managers now own among them, 1.7 million share worth $22 million. Now that Jepson i public and each company is a wholl owned subsidiary, managers at ne acquisitions split 10% of their operations' pretax income.

Jepson himself sold 1.4 millio shares in the public offering. No us having all your net worth on pape Jepson is spending more time at th family's Mendocino County, Cali winery, which he bought in 1985 as real estate investment, or at his second home outside Savannah, Ga. Bu most of his wealth is still tied up i his company. Proceeds to the company from the offering are being used fo working capital, debt reduction—an more acquisitions. Having accumulated so much so fast, Jepson wants t keep going.

"Bob calls me at least two or thre times a week," reports Shearson/Leh man Brothers dealmaker Willia Kearns, who has brought several can didates to Jepson. "He calls more fre quently than anybody I know lookin for companies." ■

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MEETING A WORLD OF NEEDS.

Edited by Jeffrey A. Trachtenberg

Most yacht owners agree that buying a boat makes little economic sense. Which makes the marketing of yachts easier.

Down to the sea in dreams

THERE IS NO FORMAL definition of what constitutes a yacht. But a 50-footer with a base price of $500,000 is a widely used minimum standard these days. For $1.7 million a customer gets a custom-built 70-footer with all the trimmings: teak paneling, Carpathian elm burl inset door and drawer panels, leather-cushioned settees, whirpool bath—but none of the extras like electronics and fancy interior decoration that can easily run the price up another 25%. And even then someone will have a bigger, more expensive boat. A fiberglass Hatteras 77-footer starts at around $1.8 million. A 100-foot Burger costs at least $4 million.

Of the 660,000 new pleasure boats sold in the U.S. annually, fewer than 500 are in this 50-foot-and-up class. Most are made by Hatteras Yachts, Bertram Yacht, Gulfstar Yachts, Palmer Johnson, Broward Marine and Burger Boat.

How do you move goods that start at $500,000? Some ways are obvious, such as advertising in *Yachting, Motor Boating & Sailing* and *Yacht Finder* magazines. (The average *Yachting* reader is male, 47, earns $148,500 annually and has an average household net worth of $1 million. It costs $10,100 for a full-color ad page to reach him.) There are also state boat and federal vessel registers to be culled for direct-mail lists.

But mostly, successful yacht marketing comes to selling one-on-one—and figuring out how to get face-to-face. The annual in-water boat shows, for example, particularly in Miami, Fort Lauderdale and Norwalk, Conn., are popular among boat builders and dealers.

Hatteras Yachts, the largest yacht-maker in the country ($110 million annual sales, including 100 boats priced at $500,000 or more), budgets $200,000 a year on such shows. High Point, N.C.-based Hatteras, a division of Genmar Industries, which in turn is controlled by Irwin Jacobs' Minstar Inc., sells strictly through its network of 30 independent U.S. dealer franchises (and another 30 abroad), not direct to the public. But boat shows help the builder promote the product, create leads for its dealers and begin what it hopes will become an intimate affair with a customer.

Ken Kranz, director of marketing planning for Hatteras, explains: "At this price level we're almost always involved directly with the customer. It's not unusual for buyers to make two or three trips to the factory with their dealer representative to watch their boats being built."

Frequent customer contact doesn't stop after the initial sale. Fort Lauderdale-based Broward Marine, which produces nine 50-foot-plus motor yachts a year and claims to be the largest custom boat builder in the country, hosted a five-day party in Newport, R.I. over the Labor Day weekend. The gathering included owners of 25 Browards and their guests, and it featured a black-tie dinner party, a clambake and a procession of 18 Broward yachts steaming out of Newport Harbor.

"When you spend $2 million on a boat, you want to have a warm, fuzzy feeling about the experience," say Ken Denison, a vice president Broward Marine. "Last year half of th boats we had under construction ha been sold to customers who alread owned Broward boats. A weekend lik this tells them they are at the righ place with the right people. This is very effective way of keeping ou owners happy. And if we keep ther happy, we can move them up to larg boats. What this is all about is ma keting to the people who already ow our boats."

Denison and others who make the living selling yachts agree that th best potential buyer of a big boat is a owner of a not-so-big boat—rather a

Red Morgan

paring the teak caprail for final varnishing on a 118-foot Broward yacht
r $4 million-plus, you get work done by hand.

neral Motors used to trade custom- up from Chevrolets to Buicks to dillacs. Among yachtsmen, this is own as the 5-foot-a-year disease. n the boat business, trading up re- res getting out and following boat- around. Most motor yachts are d in the East. The country's prime ht market runs from Miami to m Beach. It is a stretch of Florida stline that boasts over 100 yacht kerages, some employing 14 sales- n or more. Fort Lauderdale is the ; its two big marinas, Bahia Mar chting Center and Pier 66 Hotel & rina, attract some of the finest hts in the country during winter. er favorite yachting haunts include the Peruvian, Brazilian and Australian docks at Palm Beach, the Ocean Reef Club in Key Largo and Turnberry Isle Yacht & Country Club in North Miami.

"There is a regular circuit," says Pamela Barlow, a broker at Bradford International in Fort Lauderdale who haunts all the boaters' haunts. "The yachts spend the winters in Florida or the Caribbean, have their yard work done in spring and spend the summers in New England or Europe."

The power yacht brokers' business, especially in south Florida, has been booming of late. Brokers host presentation parties, where they invite other brokers for cocktails after work to show the boats they have listed. On any given winter evening at Pier 66 you might have two or three brokerage firms handing out cocktails and hors d'oeuvres. (Like real estate brokers, yacht brokers share listings. Listing brokers get 3% of the selling price and selling brokers get 7%—underscoring the relative difficulty of finding the buyer compared with finding the boat.)

Barlow, like many brokers, sells both new and used yachts. This year she has already sold two secondhand boats priced at more than $500,000 each. "Being able to sell that used boat is an important marketing point," she says. This has become

Broward yachts in Newport, R.I.
Sometimes it's the little things that count.

even more important as the length of boats has risen in step with the Dow Jones industrials. Ten years ago a big yacht was 75 feet long; today a big yacht is 120 feet.

It used to be that bankers preferred not to lend on boats. Now they gladly do, and the best brokers steer their clients to the lenders offering the most attractive terms, which are liberal indeed. Interest rates on fixed-rate loans collateralized by pleasure boats now routinely rival rates on medium-term AA corporate bonds, currently around 10.5%.

The bankers' new willingness to extend credit is a major factor pushing yacht sales higher. "What you see happening is growth of 15% to 20% a year in new boat sales for the last three years, and that builds the used boat market," explains Russell Hartmann Handler, president of Hartmann-Palmer Yachts in Port Washington, N.Y. "Customers may start with a 25- or 40-footer, and then they want to move up. What happens is that the customers take a 20-year loan and after two years are looking for a new boat. The banks then roll those loans over, because payments for the first two years are almost entirely interest payments, which means the bankers make yet more money. Also, yachts have retained their value in recent years, which means the risk to the lenders is very small."

Or at least the risk has been small since the collapse of oil prices and the downward trend in interest rates. Should the prices of oil or money jump again, however, big power boats could again become as difficult to sell as they were in the late 1970s and early 1980s. In 1985, for example, a veteran Seattle yachtsman finally took $125,000 for his beautifully maintained 55-foot custom boat whose market value was supposed t be $490,000 and whose replacemen cost was surveyed at $950,000. Th yacht had been on the market for ove two years. Lender beware.

Most yacht manufacturers use ex pensive add-ons to further buil warm, exclusive feelings in their cu tomers. Sophisticated electronics, fo example, can add $10,000 to $50,00 to the base price of a 50-footer. Th builders spend ample time helpin the customer through the maze of sa ellite navigation equipment, made b Magnavox or Furuno; digital color ra dar by Raytheon or Furuno; autopilo by Benmar or Robertson.

To help prospective captains ge their first mates involved, the build ers introduce clients to interior dec rators specializing in seagoing fabric paint and furniture. If all this sound like the successful marketing of ex pensive houses, it is. Many yacht buy ers purchase boats instead of ski o sun second homes.

Most boat owners agree that any one who tries to justify the costs o owning and operating a yacht wi probably give up. "Once you sta looking at how expensive it is to ow a yacht, you'll probably decide agains it because the expenses are so high, says Henry Beckenstein, founder o East Hartford, Conn.'s Beckenstei Enterprises, a big construction an management company. "Certainl you can charter a boat for a lot les money every year."

Yet Beckenstein, who started wit a 17-foot Penn Yan 33 years ago, ha since owned three yachts, includin his current boat, an 82-foot Burge complete with twin diesel 1,000 horsepower engines. Estimated pric close to $3 million.

William Weiss, the 76-year-old Ba timore financier and land investo has owned four Burger yachts over 3 years. Weiss is now considering sel ing his 86-footer and building a 100 footer, which he estimates will co close to $4 million. "Buy the best yo can afford," counsels Weiss. "Do right and your costs won't exceed 5% a year."

Why do businessmen like Becken stein and Weiss indulge themselve with yachts? Weiss' answer illum nates the best ammunition the yach brokers have in their marketing arse nal: romance, fantasy and the realiz tion of both.

"A yacht lets you go to the place you've only dreamed of seeing," h says. "It's mobility, tranquility. How can anyone put a price on th fulfillment of dreams? Who wouldn buy into such a proposition?—**J.A.T.**

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Edmund T. Pratt, Jr., Chairman of the Board and Chief Executive Officer, PFIZER, INC.

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Personal Affairs

Edited by William G. Flanagan

Forget expense accounts at Lutèce and a corporate limo. Today's executive wants—and is getting—his personal chopper.

The rotary club

By Barbara Kallen

It's eleven o'clock on a recent Saturday morning, and a black stretch limo pulls up to Manhattan's East 60th Street heliport. The door snaps open and the miniskirted Ivana Trump emerges, followed immediately by her New York property developer husband, Donald. Greeting another couple in the terminal, the two proceed to a waiting helicopter, a jet-black and red, twin-engine Aerospatiale Super Puma. Seconds later it whirls off for Atlantic City, headquarters of Trump's gaming empire. The 100-mile journey, high above highways choked with weekend beach traffic, takes a half hour. Door-to-door travel time from the Trumps' midtown townhouse: about 35 minutes.

Having a helicopter at your disposal has become the last word in executive status. To meet the growing demand, heliports have been sprouting like mushrooms after a summer rain. There are now about 3,300 around the country, up 40% from six years ago. About 1,500 of these heliports are owned by corporations or hotels.

Is this just another corporate extravagance to be borne by the stockholders? Try convincing companies that own or lease choppers for their executives, companies like Digital Equipment, General Electric, Chevron, Bristol-Myers, American Express, CBS, Johnson & Johnson, Merck, Unisys—the list is long and still growing.

The rationale for the choppers? Convenience, mainly. They do save a lot of time, especially around metropolitan areas. And there's nothing like a chopper ride to impress a customer, or an underling.

Take DEC, for example. It operates a fleet of seven choppers to ferry employees between company headquarters in Maynard, Mass. and 19 other DEC facilities around New Hampshire and Massachusetts, all equipped with helipads. "We also use the hel copters to bring in customers and drop people off at the airport," sa Chief Pilot Tom Chesnut. "I can g to Logan in 15 minutes. By car in ru hour it would take an hour and half."

Most of DEC's fleet consists of si gle-engine Bell Jetrangers, five-seate that cost around $500,000 each a are the most popular choppers in t U.S. corporate fleet. According to Data Service, a Wichita-based r search firm, corporations own abo 1,150 Jetrangers, which cruise 135mph and have a range of 400-t 460 miles. (One nests aboard t yacht of a famous Scottish-Americ publisher and motorcycle fancier.)

A step up from Jetrangers are twi engine choppers like the French Aer spatiale SA 365 N1, the German MB BK-117, the Bell 222 and the Itali Agusta 109A. (Agusta, mostly natio alized by the Italian goverment, also under contract to build a numb of American-designed choppers f sale to developing countries.)

Twin-engine choppers have mo power, better lift capability, bigger c pacity and are more reliable. The A ospatiale, MBB and Bell 222 and t Agusta are in the $2-million-to-$3 million range, fully loaded.

The Sikorsky S-76 is the Mercede Benz of twin-engine helicopters. Wi around 200 cubic feet of cabin spa and a capacity of 12 passengers (plu crew of 2), corporate S-76s are flyi lounges, often equipped with leath

One of Digital Equipment Corp.'s seven choppers ferrying employees ***From Maynard, Mass. to Boston's Logan airport in 15 minutes.***

Donald Trump's Aerospatiale Super Puma aloft
"I always feel guilty flying it because it is one of the ultimate luxuries of life."

seating, paneled walls, wet bars, lounge chairs, coffee tables, VCRs and telephones. The S-76 can cruise at 145mph and has a range of 300 miles. Cost: $3.5 million to $4.5 million, depending on extras. General Electric has three S-76s, and American Express has two. Chevron, with the largest privately owned helicopter fleet in the country owing to its offshore oil activities (a total of 27 choppers), has seven S-76s.

But if the S-76 is the Mercedes-Benz of helicopters, Trump's Aerospatiale Super Puma is a Rolls-Royce. The twin-engine, two-pilot chopper goes for up to $9 million a copy, depending on how it is outfitted. Trump's model, for example, has roomy beige leather seating for 8 in a space that was designed for 22 passengers, a VCR, a kitchen, a bathroom and a telephone. Bulletproof and soundproof, Trump's helicopter is a 200mph conference center. And he got it for a bargain $6 million from Warner Communications, when Warner's Steven Ross (always on the cutting edge of executive status) was enmeshed in takeover problems. "It had ten hours on it," trumpets Trump.

Indeed, takeovers and restructurings have resulted in a lot of choppers' changing hands, as managements under pressure scramble to raise cash and downplay their perks. This, in turn, has led to a boom in helicopter leasing.

Warner Communications, for example, now rents helicopters from Damin Aviation, a New Jersey-based charter service with 26 helicopters. So do dozens of other corporations in and around New York City.

Rented choppers don't come cheap. Rates for single-engine, five-passenger Aerospatiale A-Stars start at $555 per hour; twin-engine, six-passenger Bell 222s go for $1,250 per hour; and Sikorsky S-76s for $2,095 per hour. Landing and parking fees are additional. Damin's S-76s are more like limousines than helicopters: buttery gray leather seats, gray carpeting, wood-panel interior, a kitchenette with soda, coffee or tea and a fully stocked bar.

Jetcopters Inc., based in Van Nuys, Calif., chauffeurs executives from Irvine Co., CBS, Trammell Crow and other companies into and out of downtown Los Angeles as well as around southern California. The sight of a chopper alighting on City Hall East or Century City is hardly rare these days. Recently Jetcopters picked up two executives of Northrop Corp. at their downtown Los Angeles headquarters for a one-day "sweep" of some of Northrop's southern California facilities.

Not all chopper use is strictly business. More than one corporate chopper makes the Manhattan-Hamptons run on summer weekends. And they are just the thing for an impressive entry at that special occasion. Entertainer Elton John recently hired four Jetcopter Longrangers to fly himself, Sylvester Stallone and friends from Century City in west Los Angeles to Six Flags Magic Mountain amusement park in Valencia for Sly's birthday. The trip cost $2,940 and took 15 minutes. It would have taken 40 minutes by car.

Corporate types tend to be less flamboyant and more careful with their—or their shareholders'—money than multimillionaire stars. Even Donald Trump, who is personally worth about $850 million *(see p. 150)*, says of his helicopter: "I always feel guilty flying it because it is one of the ultimate luxuries of life. To fly to Atlantic City costs a couple of thousand dollars. I hope in my case it's justified." But then, Trump need answer to no shareholders. ■

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Why are most founders of successful businesses so unsuccessful at passing the reins to their offspring? Is there anything they can do to improve the odds?

"Dad, I know I can handle it"

By Edward F. Cone

ROBERT LATOUSEK didn't want to sell the business his father, Bernard, had founded. The son had worked hard to continue building Penray, the Elk Grove Village, Ill. automotive chemicals concern. Indeed, it was thriving under his leadership. But his father wouldn't stop meddling, even though he had passed the business to his son. From semiretirement he second-guessed his son, took to nit-picking. Recalls Bob Latousek, "He didn't like the feeling o being out of control."

So when STP Corp.'s Andy Grana telli made an offer for the company Bob Latousek, then 37, reluctantl sold out.

That was in 1969. Less than fiv years later, and having restored goo relations with a mellower father, Bo Latousek bought back Penray. " spent a lot of sleepless nights wonde ing if buying it back was sound busi ness or just wanting it back," he r calls. But without his father lurkin in the wings, the company prospere

A happy ending? Yes and no. 1 1985, while grooming his own so John to take over the business, Latou sek again decided to sell. He was wo ried that his son would be undul saddled with responsibility for th whole family. And he was nervou that a narrow product line in specialt chemicals would leave his estate vu nerable to liability suits. So Penra became yet another family busine whose family gave up control.

The number of businesses succes fully passed from one generation t the next is astonishingly low. Accor ing to academic experts, 70% of fam ily businesses fail to survive the founders. With so many companie

Robert Latousek with son John
Dodging the bullets twice was too much to ask.

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Howard Chatham (second from left) *next to eldest son, David, and their families*
A successful plan for passing his company down to his children.

formed right after World War II, the problem has become more prevalent than ever.

But more help is at hand now, too. Experts on the subject abound, and college and business school courses in family business have proliferated in recent years. What they advise, in a nutshell, is gradual—and meaningful—involvement of the offspring in the family operation. And forcing yourself to get out of their way.

Seaman's Furniture's Morton and Carl Seaman are one example of doing it right (FORBES, *Sept. 7*). Howard Chatham is another. Chatham grew up working other people's land north of Atlanta. Today the sharecropper's son is the patriarch of a family that has grown rich building homes on that same Georgia clay. In all likelihood, his business will remain in Chatham hands when he goes.

Howard Chatham's son David, 37, is now president of Chatham Properties, the holding company for Northside Realty, which sold over $1.3 billion worth of houses last year. Within the larger company, Howard Chatham has established several smaller units. Each of these is integrated into the main business; two of them are run by David's siblings. Brother Ken heads the landscaping division, and sister Jan Chatham Smythe runs the home decorating arm. Tim Chatham, the youngest brother, will probably become involved in one of the divisions after law school.

By creating several separate but complementary businesses within the parent company, the Chathams have created a system where each child can be the boss while reporting to his father and older brother. Giving each family member something meaningful to do is a way to keep them all happy—and the business growing.

But such good fortune doesn't just happen. "You need a succession plan," says Leon Danco, president of Cleveland's Center for Family Business and author of several books on family businesses.

Of paramount importance, the experts agree, is preparing the children as they grow up. "Let your kids know about the business from childhood," suggests Peter Davis, an adjunct professor of management at the Wharton School. "Bring them into the process at an early age." Make the children feel that the business is part of family life. David Chatham, who at an early age was sweeping out his father's construction sites, agrees.

So does Michael Silberkleit, 55. He went into his family publishing business, Archie Comic Publications, which puts out the *Archie* comic strip and the popular comic books. Silberkleit's family-business situation is complicated by the fact that his partner, Richard Goldwater, 51, is the son of Archie's cofounder. They both went into the business, and their children are following them. "There was nothing we didn't do," says Silberkleit. "We weren't just 'bosses' sons,' even if we did work at a family business. Our fathers saw that we worked hard."

Working just for dad, however, can be a tragic mistake, professionally as well as emotionally. "Fathers are often the worst teachers," says Loyola University of Chicago's John Ward, a professor of private enterprise, who has written a book, *Keeping the Family Business Healthy*, on the subject. "Too much emotion is involved, too many expectations." Better to apprentice the heirs to experienced, nonfamily managers. Explains Wharton's Davis: "Mentors are necessary to ensure that the child is not being judged on the job by what he did at home the night before." Agrees Archie Comic's Sil

For ROI on your money, see your stockbroker. For ROI on your yacht, see us.

urn On Investment. e measure of perform- ce versus cost. Well lerstood in the stock rket. We apply it to hting.

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Jeanne Strongin

Richard Goldwater (l.), *David Silberkleit and Michael Silberkleit of Archie Comic*
Even tougher with two families in charge.

berkleit, who had his first job with the family company when he was 21: "When the printing boss yelled at me, it was strictly job-related."

But even fathers (and the occasional mother) who bring their offspring in early and entrust their training to talented nonfamily managers often fail when it comes to the most important test of all: letting the kids run the business when the time is right.

Like Henry Ford—who put his son Edsel in Ford Motor Co.'s driver's seat but never gave him the keys—most successful entrepreneurs thrive on controlling the world immediately around them. Aging often sharpens their determination to retain control where they can—typically over the family business, no matter how gifted they think their chosen successors are. Yet the founder who doesn't cede control effectively dashes the expectations of his offspring, who then feel cheated. "The current generation ex- a leadership role by age 40," says oyola's Ward. "Problems start after that."

A succession plan, in writing, is one l idea for assuring that control is passed on at the right time. "Establish a mechanism for turning things over from the older generation to the younger," says the Center for Family Business' Danco.

"We had our lawyers draw up a succession plan," says Silberkleit. "It not only details how and when the business will be handed down but it also guarantees each family member a share, regardless of their role in the company."

Making an already complex human problem more difficult, more of today's young men and women are likely to want active roles in their families' businesses. While primogeniture was the succession rule until the early 1970s, now several siblings are often involved. Richard Goldwater's 20-year-old daughter, Lisa, for example, works at Archie Comic Publications as an artist. But what if a family member wants to sell out? This was the problem when Sallie Bingham, of the Louisville newspaper family, wanted to cash in her chips. The internecine squabbling made nasty headlines and resulted in the sale of the paper and the rupture of the family.

To avoid such results, the best advice is to have a realistic buyout plan prepared in advance. If nothing else, this will require all family members to address a potentially divisive situation before it happens.

Employees, too, should be aware from the start that the top job will go to a family member. An interim manager for the period before junior takes the helm may be a good idea, especially an older executive who could retire after easing the new boss in.

At Atlanta's Chatham family company, several key employees have themselves brought second and third generations into the business. "An advantage of working for a family company is that you know what management is thinking and what their philosophy is," says Wharton's Davis. "People working for the company should be able to count on the fact that the family is involved and interested in the employees' well-being as well as their own."

That raises one of the most trying questions to face the family business: What to do if an heir wants to succeed his father but plainly lacks the competence to do so? In general the answer seems to be: Put the interests of the company and its employees ahead of the heir's desires. Wharton's Davis points out that asking someone to do something beyond his abilities is doing him no favor at all.

In the final analysis, the successful passing on of businesses will occur in those families whose patriarch has consciously instilled in the family a sense of purpose and an understanding of each member's responsibilities. Loyola University's Ward calls this a "family plan" and says it is as important as any other aspect of succession planning. David Chatham and his father work on their family plan over breakfast each morning. "I owe it to my family to run this business well," says David Chatham. "Even more my kids need to learn that. And they are being taught that this is something we have worked for and will continue to work for."

Taking such care is difficult and time-consuming, which probably explains why so few family-owned businesses survive long into the second generation. ■

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Faces
Behind the Figures

Edited by Lisa Gubernick

Grandson power

For over a decade billionaire Milton Petrie, 85 *(see p. 128)*, has avoided an agonizing decision about what to do with $1 billion (sales) Petrie Stores. His son Bernard, 60, a successful San Francisco lawyer, never wanted to go into the business, much to his father's regret. Neither of the patriarch's two daughters had business ambitions. The strong-willed chairman had long since chased away most relatives (hired at his mother's insistence). Yet handing Petrie Stores over to someone outside the family was as distasteful to Petrie as liquidating the business he started in 1927.

Wall Street began smelling a bust-up. Earlier this year Petrie Stores' stock spiked on speculation that the Secaucus, N.J.-based company's parts were worth more than the whole.

But the speculators failed to take into account the fact that many successful older men get on very well with their grandchildren and often leave businesses to them. Does Milton Petrie have an ambitious grandchild? He does. His name is Matthew Miller, 25, the only son of Petrie's daughter Marianne.

Miller joined Petrie Stores in June 1986, after graduating from Columbia Law School. "I had to get in," Miller explains. "There was a sense of urgency. I'm eager to move as quickly as he'll have me."

His grandfather has been moving him quickly. Just 15 months on the job, Miller is already a senior vice president and drawing a salary over $60,000—although his actual accomplishments so far are modest. He has been organizing morale-boosting pep rallies for the sales clerks that come complete with balloons and lapel buttons that say "We're just beginning!"

"I'm a rah-rah kind of guy," explains Miller, who wrote and performed in the annual musical review staged by his class at Columbia Law.

But more important than doing right now, is learning. Miller spends mornings learning about everything from factoring to lease negotiations at his grandfather's knee. Afternoons are devoted to finance and marketing. Blouses are the latest chapter in his garment-by-garment education. A natty dresser who likes Hermès ties and sports an antique Longines watch, Miller peppers his talk with Seventh Avenue jargon and is having a computer terminal installed in his Manhattan apartment so he can monitor the previous day's sales should the urge strike. "There are no strokes of genius in the kind of changes I'm thinking about," he vows. "I only want us to be great." When will the apprenticeship end? "Let's not talk about me stepping down," says Petrie

Petrie Stores' heir apparent Matthew Miller
"There was a sense of urgency," says the chain's new senior vice president.

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ogist E. Digby Baltzell
Are aristocrats a dying breed? Should we care?

Seth Resnick/Picture Group

Faces
Behind the Figures

crusty as ever. But mellowing a bit, he says of his grandson: "He's got a long way to go, but we hope that in two to three years he will fill the bill as president."

When Miller (who as a child called Petrie "Pop-pop") and the boss disagree, the latter merely tells the former, "I've been here 60 years, so I'm right." So far the grandson has had the good sense to listen.—**Ralph King Jr.**

The benefits of elitism

While hundreds of sociologists study the poor, E. Digby Baltzell is one of the few who have devoted their careers to examining the country's privileged classes, past and present. Baltzell, 72, professor emeritus at the University of Pennsylvania, who still writes and lectures, has been credited with coining the term "Wasp" in his 1964 book, *The Protestant Establishment*. (His other books include *Puritan Boston and Quaker Philadelphia* and *Philadelphia Gentlemen*.) He is worried that the Wasp is a dying breed. "An egalitarian society may be rich," says Baltzell, "but it will never be great."

Born in 1915 to an old-line Philadelphia family, Baltzell still lives within walking distance of his boyhood home in posh Rittenhouse Square. His studies of the positive roles in U.S. development played by such families as the Adamses, Lowells and Cabots and more recent families like the Rockefellers—all infused with noblesse oblige—have convinced Baltzell that society is best led by a privileged elite. He is not talking about a rigid, feudal aristocracy based on bloodlines, as in medieval Europe, or party affiliation, as in today's totalitarian countries. Rather, he is talking about a fluid elite based c merit, and willing to lead by exampl

"It used to be that a certain class people were obligated by their u bringing to serve, to be visible, to l examples," says he, wistfully. "The are no more." Their descendants ha become an insular caste, concerne with clinging to their place in societ "That leaves only their money to l sought after by the rest of the people

Baltzell thinks that in our efforts make society more egalitarian, we' leveled things so much that no one committed to leading. The result is headless, rootless society bereft of e cellence and doomed to mediocrit "In the worst case, that leaves th stage open to the demagogue, who ca play on people's need to be directed some way," warns Baltzell, who fea that something totalitarian this wa will come.—**Edward F. Cone**

Giving it away

The very rich, said Tennessee Wi liams, borrowing from a frien have a touching faith in the efficacy small sums. Charles Merrill, 67, he to the Merrill Lynch fortune, learne what the playwright meant during 20-year tenure as chairman of fath Charles Merrill's charitable trust.

Merrill's history of the $114 mi lion trust, *The Checkbook: The Politi and Ethics of Foundation Philanthrop* (Oelgeschlager, Gunn & Hain), wa published last year. The book tells cautionary tale of how a foundatio can go astray when its members' a

Michael Gun

Philanthropist Charles Merrill
Making charitable contributions count.

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Faces
Behind the Figures

tentions are dissipated by focusing on too many causes. "Don Regan [chairman of Merrill Lynch from 1971 to 1981] believed in zoos. My sister believed in gardens and historical artifacts," recalls Merrill. "It was like a Congressional appropriations committee in 1895."

The foundation wound up giving 5,000 gifts to 2,000 organizations—often ending up with beneficiaries about whom the trustees knew little. In one case Merrill gave $20,000 to a southside Chicago church whose purported intention was to tutor inner-city dropouts. As it turned out, the money was actually being channeled to a street gang.

Fortunately, most of the trust's contributions have been more fruitful. In 1958 Merrill, a career-long high school history and English teacher, founded Boston's Commonwealth School, a college preparatory academy where he taught for 23 years and to which the trust made regular grants. "It is academically demanding, but it also insists upon humane values," lauds Theodore Sizer, chairman of the Coalition of Essential Schools, based at Brown University.

Merrill's foundation gave away the last of its funds six years ago. But Merrill still donates nearly 40% of his own income, mostly derived from his substantial personal portfolio, to charitable causes. What makes a successful philanthropist? From his experience, Merrill believes that 90% of contributions should be given to established causes, so that those institutions can last from one generation to the next. The other 10%? "You can gamble with that," he smiles.

Some of Merrill's bets have paid off nicely. In 1981 he donated $25,000 for computers and an expanded library to Cardinal Spellman High, a Bronx, N.Y. parochial school with a working-class constituency, which sends 90% of its seniors to college. Beams Merrill: "That choice counters the belief that American education is going to hell in a handbasket."—**Burr Leonard**

The music man

Lester Lanin never calls his customers by their first names. It's always Mr. Rockefeller, Mr. Dorrance or perhaps Mr. Perot. Maybe even Your Highness.

Mark Seliger

High society bandleader Lester Lanin
Playing the tunes the wealthy dance to.

Over the past half-century, sprightly Lanin has led orchestras the best of parties, debutante ba society weddings, charity soirees a presidential inaugurations. It co over $5,000 to book a Lanin orch tra—bringing in revenues of about million a year. His company, Les Lanin Orchestras, consists of a c group of regular musicians, who p vide the backbone of several ba that pump out the Lanin sound un his auspices but not necessarily baton. Lester Lanin Orchestras m play a dozen different dates on a giv Saturday, the big night of the week the orchestra business; getting La himself to lead the band requires s cial booking. Business is good, sa Lanin, who dropped out of prep sch at 15 and has been making music p fessionally ever since, first as a dru mer and then as leader of his o orchestra.

Along the way, Lanin has accum lated a rich repertoire not only of m sic but of stories about the rich, t powerful and the famous he has ent tained. There was the time the king Norway found the music too lo After Lanin had made satisfactory justments, the king danced the nig away, pausing occasionally by t bandstand to give Lanin an "oka sign with his hand.

Then there was the night Lanin w playing a Fort Worth debutante b attended by Tandy Corp. foun Charles Tandy. The businessm didn't want the evening to end, so kept pressing large wads of cash in the bandleader's palm each hour keep the music going. The music nally stopped when the exhaus Tandy collapsed on the dance flo He died the next day.

These days, reports Lanin, danci until dawn is definitely out. "May it's the tougher liquor and drivi laws," says he, "but we used to booked until 5 in the morning. N they quit dancing and go to bed b a.m."—**Edward F. Cone**

The best walls in town

With a name that goes back William the Conqueror and gracious manner straight out of 19th-century drawing room, Char Baskerville, 91, seems like someo who could have stepped out of a Jo Singer Sargent painting.

But Baskerville has never had l portrait done. He has spent his life the other side of the easel. Over t last seven decades he has become o of the best-known portrait artists

Bob Sacha

rtrait artist Charles Baskerville
Sargent of our times?

e U.S., painting everyone from Mrs. Felix du Pont and Mrs. John Jacob tor to Cornelius Vanderbilt Whit-y. "People come to him for emo-nal reasons," says Marian MacKin-y of Portraits, Inc., which repre-nts virtually all the prominent rtrait artists in New York City. askervilles are found on the best alls in town. People want to be a rt of that."

Baskerville got his start drawing ar scenes while recovering in a ench hospital from a World War I s attack. These were among the first his works to achieve national rec-nition in the U.S. By the end of the 30s his talent had elevated him to eeminence as a portraitist among merica's social elite.

Tattered scrapbooks of his paint-gs clutter his Manhattan studio. That's Charles Engelhard. I painted m while 13 members of the house-ld were in the room drinking cock-ils," he says, gingerly turning the ittle pages. "That's Mrs. William andolph Hearst Jr.," he says. "I had repaint her hair after she changed r hairstyle."

The price tag for a Baskerville? Less an you'd expect. "I've never been le to be pushy about price," he ghs. While many of the top portrait inters' fees begin at $40,000, Bas-rville charges one-half as much. That's the embarrassment of doing usiness with friends," he allows. "I'd ther have their friendship than their oney."—**Peter Newcomb**

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Statistical Spotlight

Had you built a stock portfolio based on our first Forbes Four Hundred issue, how would you have done?

Not bad

By Ignatius Chithelen

If The Forbes Four Hundred are so rich, are their co panies smart investments? Some are. Some aren't. T first edition of the list, in 1982, included fortu based on the publicly held stocks listed below. Some r spectacularly—Sam Walton's Wal-Mart up 617%, Les Wexner's Limited up 1,510%. Berkshire Hathaway, W Disney, Washington Post Co.—all at least quadrupled.

But more than half (32) underperformed the S&P 5 Anyone who invested in two of Victor Posner's compan now owns penny stocks. An Wang's Wang Labs stock m than doubled in 1983 but today is 66% lower than in 198

Net result: Had you put $100,000 in each of the 61 fir at the time, your $6.1 million investment would now worth $18.9 million. Had you put that $6.1 million in t S&P 500, you would have $16.3 million. (All values w adjusted for splits and spinoffs but exclude dividends.) B before rushing to create a portfolio based on this yea Four Hundred, remember that when the stock is at highest, the owner is at his richest, and so most likely to on the list. Best to buy before he gets on our list. ■

The rich got richer, mostly

You could have done worse than investing in these Forbes Four Hundred companies in 1982.

Name/company	1987 value of $100,000 investment	% change
Abercrombie/Cameron Iron Works	$ 97,491	–3%
Albertson/Albertson's	621,087	521
Blaustein/Crown Central Petro	94,286	–6
Brown/Brown Forman	129,735	30
Buffett/Berkshire Hathaway	559,420	459
Busch/Anheuser-Busch	339,326	239
Cox/Dow Jones & Co	236,838	137
de Menil/Schlumberger	115,723	16
Disney/Walt Disney	482,640	383
Dorrance/Campbell Soup	297,987	198
du Pont/E I Du Pont	307,143	207
Ford/Ford Motor	761,221	661
Fuqua/Fuqua Industries	476,489	376
Galvin/Motorola	238,583	139
Graham/Washington Post	418,333	318
Grainger/W W Grainger	240,278	140
Heinz/Heinz	420,875	321
Hess/Amerada Hess	115,000	15
Hewlett, Packard/Hewlett-Packard	191,317	91
Hilton/Hilton Hotels	183,799	84
Jobs/Apple Computer	347,399	247
Kieckhefer/Weyerhaeuser	138,721	39
Knight, James/Knight-Ridder	254,842	155
Knight, Phillip/Nike	100,000	0
Kroc/McDonald's	314,773	215
Mandel/Premier Industrial	284,184	184
Marriott/Marriott	360,665	260
Mitchell/Mitchell Energy & Dev	93,333	–7
Moore/Intel	293,243	193
Olsen/Digital Equipment	369,249	269
Paley/CBS	369,845	270
Petrie/Petrie Stores	234,711	135
Posner/DWG	$275,000	175%
Posner/NVF	11,200	–89
Posner/Pa Eng	72,727	–27
Robins/A H Robins	142,763	43
Rollins/Rollins	344,518	245
Shakarian/GNC	71,322	–29
Singleton/Teledyne	304,206	204
Smith/General Cinema	1,208,257	1,108
Thorne/Commerce Clearing House	248,402	148
Turner, Ted/Turner Bdcstg	159,677	60
Vollum/Tektronix	185,754	86
Walton/Wal-Mart	716,796	617
Wang/Wang Labs	34,043	–66
Wasserman/MCA	256,614	157
Weis/Weis Markets	348,962	249
Wexner/Limited Inc	1,610,000	1,510
Woodruff/Coca-Cola	322,833	223
Zimmerman/Pic 'n Save	261,010	161
Merged*		
Belfer/Belco Petroleum	297,180	197
Darrin/Automatic Switch	160,544	61
Getty/Getty Oil	324,625	225
Keck/Superior Oil	200,670	101
Kerkorian/MGM Grand Hotels	265,842	166
Kerkorian/MGM/UA	433,023	333
Nielsen/A C Nielsen	229,045	129
Perot/EDS	228,157	128
Rogers/Mary Kay Cosmetics	356,936	257
Taper/First Charter Financial	217,353	117
Turner, Tom/Sigmor	150,410	50
Total	18,926,209	210
S&P 500	16,287,000	167

* all merged companies, the 1987 price is based on per share value at time of merger, plus equivalent of T bill reinvestment

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Newsweek

Why it happened. What it means.

Every year the pundits and the press report on The Forbes Fou Hundred—and reveal their ambivalence about the nature c wealth in America. Below, the reactions to the 1986 listing.

"I didn't see my name, either. . . ."

From CBS' Andy Rooney
We're always seeing and hearing so much about the poor, the homeless and the starving that it gives the sorry-feeling part of our brain some relief once in a while to hear about people who have all the money they need.

FORBES is out this week with its list of the 400 richest people in the U.S., and it makes good reading, although I notice your name wasn't on the list. I didn't see my name, either. . . .

The traditionally rich people in the U.S. like the Rockefellers, the Fords and the Gettys are on the list, but not near the top. When I was growing up, Henry Ford was always considered the richest person in the world, and I can't get used to a relative unknown like Sam Walton having more money than the Fords and the Rockefellers.

Sam . . . I feel I can call him by his first name because I've been to Arkansas . . . has $4,500,000,000, according to FORBES. Henry Ford used to be shown in newsreels at the movies, handing out dimes to people. When I was young, this convinced me he must be the richest person in the world. Sam Walton doesn't give out dimes, as far as I know, and that's probably why he's relatively unknown. . . .

I have a comfortable amount of money at this point in my life. By most people's standards, I have a lot of money. I enjoy it. But there are things about having more money than I need that make me uneasy.

The other night I was watching pi tures of desperately poor and starvi children in San Salvador after tl earthquake there. There was one a pealing little girl, half-naked, hungr but with an understanding look in h wide, sad eyes that made me know could have talked to her. I think I h the same reaction half the Americar who saw that picture had—I wante to help her.

When Sam Moore Walton watch television, quietly confident he h 4,500 million dollars in the bank, wonder what he thinks about thin like our system of the distribution wealth or about poor, homeless an starving children in San Salvador.

Andy Rooney
Tribune Media Services

Streetperson, as published in Colorado Springs Gazette Telegraph
A good read for all walks of life, it seems.

Funded again, Sam
Sam Walton of Bentonville, Ark., ra ed by FORBES magazine as the riche man in the U.S., says he created a $3. million scholarship fund so Centr American students can learn abou free enterprise. Walton said he wan ed to "let them know what we have the U.S.—how many good things ar achievable here through work an through our democratic system government under free enterprise."

Since the program started last yea 100 students from Central America countries have enrolled, and about 2 students a year will be added indefi nitely, Walton said.

Northwest Arkansas Morning News
Rogers, Ark.

Nyet, comrade
This is the fifth year in a row th American magazine FORBES has pu

t a special issue listing the 400 althiest people in America. You n't say that the "list of the 400" has dergone any significant changes er the past five years. Virtually the ry same people appear on it year after ar, sometimes changing positions. nce 1981 only 602 people have been med on the list of the superrich.

Few Americans today believe the d wives' tale that simple woodcut-s and match sellers can become llionaires. Nonetheless, the pub-hers of FORBES now and then throw t pretty fairy tales about "noble ople who have made something of emselves."

Electronics king H. Ross Perot (num-r three on FORBES' "Table of Ranks") ts forth this credo: "Elbow. Elbow. ish, shove and push again. Faster, ronger and still stronger. That's my ture!" In this way he "pushed" his ay to nearly $2.5 billion. . . .

Is this perhaps the reason why the asters of the military-industrial mplex cannot comprehend the sui-dal nature of the endless production nd increase of weaponry?

Navda

reamers

hose who claim that Reaganomics s only helped the rich can point to e latest FORBES list of America's ealthiest people. Last year it had 14 llionaires; this year, 26. Those who e room for economic opportunity nd mobility can cite the list's first ack, Chicago publisher John H. hnson *[see Dropouts]*. They can also te that nearly half of the 400 multi-illionaires were not born into for-nes; they went out and built their wn. The American dream seems as gorous as ever.

ripps Howard News Service

ible study

wave of bitter jealousy sweeps the nd each time FORBES magazine pub-shes its list of the 400 richest Ameri-ns. Immediately, those on the list e judged as parasites who are not cially productive. It is considered ery unfair that some inherited their ealth. And those who earned every illion are considered far too greedy.

Yet the American dream is to be-me rich and famous, or at least that what we are told. . . . We want to be ch, but when others achieve that tatus we become jealous and do ev-rything in our power to "get the oth-r guy's money." Perhaps that's why e rule against "coveting" is found mong the Ten Commandments.

ribune-Review
reensburg, Pa.

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of the richest Americans live in vada. According to FORBES' latest ort, they are Mars, Kerkorian, nolds, Shoen, Bennett and Pengton. FORBES fails to publish a list he 400 poorest Americans. If they , six of the poorest would show up Nevada, working for Mars, Kerkor, Reynolds, Shoen, etc.
McIlvaine
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rd rain?
Alex Keaton of TV's *Family Ties*, it s more than a collector's item. It s a source of comfort—a warm, zy security blanket. All those dol signs cuddled within the covers of single issue of FORBES magazine uld help America's favorite yuppie to sleep each night.
For others The Forbes Four Hund—a compendium of the richest ple in America—would be likely keep them awake contemplating morality of so much wealth in so v hands. Not that anybody (even U.S. Catholic bishops) would estion the right of these financial ds to amass those megabucks. It is American way to reward enter- se, risk-taking and initiative. But ough they had the right to make all at money, is it right that they ould keep so much for themselves?
Another question calculated to disrb the slumber of some while Alex aton nestles all snug in his bed ith visions of conglomerates danc- in his head) is why would anyone nt $250 million (to use a nice, mid-e-of-the-road Forbes Four Hundred ure) in the bank anyway? It never ins THAT hard.
orge Plagenz
wspaper Enterprise Association

other knows best
nce the disappointment of just issing the $400 million cutoff [sic] bsides, we all ask ourselves one nple question. Exactly how do the ealthy get wealthy?
FORBES has the answer, and so did ur mother. Despite the heady air of trepreneurial fervor sweeping this eat land of ours, still the surest way get obscenely rich is to . . . you essed it. You best inherit it.
Nothing helps a potential billionre more than being the son or daughr of a deceased billionaire. Wealth is e kind of private scandal that people ke to keep in the family.
And along these lines, FORBES had me more good news for Americans ith the determination, ambition and narts to "go for it." FORBES' list of e 400 wealthiest Americans includes 39 unmarried women and 53 unmarried men. Considering the tendency wealthy people have for serial monogamy, the opportunities for today's conjugal entrepreneur are virtually endless.
Who said a poor guy or poor girl still can't make good in these here U.S.? Not FORBES. Not your mother.
The Day
New London, Conn.

Explorers
The early popularity of personal computers resulted from the efforts of a few creative thinkers. Those ingenious pioneers saw a better way to perform day-to-day work, and they set about convincing the business community that computers small enough to fit on a desktop could be trusted. For the most part, those pioneers (some of whom can be found on FORBES' list of the 400 wealthiest Americans) came to their vision in the course of their exploration of computers rather than as the result of market research or user needs analysis.
PC World
San Francisco

Pandering people
FORBES came out last week with its list of the 400 richest people in America. And if it is an accurate guide to how wealth is being created, it makes you wonder what good the rich are to us. The richest man in America is a dry goods merchant. The second-richest man made it buying and selling radio and television broadcasting licenses. The list is top heavy with real estate magnates.
For all the new investment that is supposedly flowing into high technology, the list is surprisingly lacking in people who got rich inventing something. It is, not surprisingly, loaded with oil millionaires but almost bereft of people who could be described as industrialists, a term that has acquired an almost 19th-century quaintness in recent years.
FORBES lists innumerable fortunes made on things like pizza, candy bars, rock music, media empires, shopping centers, leasing, leveraged buyouts and cosmetics but remarkably few based on things like capital goods, machine tools, manufacturing, computers and electronics.
You get an impression of a nation in which the surest way to immense wealth is pandering to Americans' tastes for nondurable inessentials or sitting around waiting for the price of something to go up.
Robert Reno
Washington Post News Service

In good company
This is mano a mano with a biweekly business magazine that shall remain nameless. Why give 'em free publicity? Its proprietor is a silver fox who collects tin soldiers, Fabergé eggs, and parks his bagel barge in the North River. His magazine frequently knees in the groin many of the players in the corporate sector, including me, while its maximum leader tells you in three sentences or less what to read, where to eat and what to see.
Meanwhile, the magazine makes maybe $10 million per year. Not bad. The proprietor tools around suburbia on a Harley-Davidson and almost totalled himself one morning launching his hot-air balloon. Back at the barn, a bunch of long-legged, prune-breasted yuppies slave for $500 a week.
The most outrageous act of this mag that calls itself Capitalist Tool is to catalog annually the 400 fattest cats in the land. You would think they could find something better to do. . . . There are purveyors of frozen chicken, pizza and cement who have crashed the gates. The representation of media conglomerates and show biz personalities just proves that the lowest common denominator is what we're all about. I am talking such great imaginative achievements as *TV Guide, Wheel of Fortune, Dynasty, Penthouse* and *Guns & Ammo* magazine. Woof!
Martin T. Sosnoff (which see, p. 316)
New York Post

Stump Quigley 4th
Here Mr. Quigley digresses to tell of a quarrel with Malcolm Forbes, editor-in-chief of FORBES magazine, which has just published its annual catalog of the 400 richest Americans:
"Upon hearing that this monstrous invasion of privacy was being contemplated, I took my great-grandfather's horsewhip from over the fireplace, went to the FORBES offices and offered to horsewhip Malcolm Forbes through Washington Square unless he kept my name out of his publication.
"It's dreadful enough that a man is taxed simply because he happens to have a few hundred million, but being exposed to the envy of hordes so threadbare they can't afford to winter at Hobe Sound would be intolerable.
"Malcolm Forbes sensibly left Stump Quigley 4th off his list. He is a sensible fellow. Only a sensible fellow would travel by balloon as much as he does."
Russell Baker
New York Times

A century ago Edison gave us his nam
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Thomas Alva Edison, a true American genius, did more for the world than turn on the lights. As an originator of the light bulb, microphone, phonograph and movie cam he could be called The Father of Modern Technology. (Photograph: German Museum, Munich)

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We at AEG owe Thomas Edison our gratitude as well. The firm he helped found, the German Edison Company for Applied Electricity, became AEG in May of 1887.

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AEG

Provident National Bank, among many, called it wrong when bonds tanked last spring. Here's how it's trying to recoup.

RIDING THE RATE CURVE

By Ben Weberman

Those cruel few weeks last spring, when Treasury bond interest rates rose from 7.5% to 8.68%, still haunt Provident National Bank of Philadelphia. Provident is no penny-ante money manager. It has discretionary management of $20 billion in money market mutual funds, $6 billion in equities and $5 billion in fixed income accounts.

Taking advantage of what it believed would be April's brief upward blip in yields, Provident extended the maturities of some of its shorter-term debt investments.

That decision spoiled an otherwise excellent record. By its own measure of performance for the 12 months ended June 30, 1987, Provident's largest fixed income accounts had a total return of 4.5%, better than the Shearson Lehman government bond index of 4.1%. But in the last half alone, the fixed income accounts it managed lost 0.2%. With the average for all bank fixed income trust funds showing a gain of 0.1%, as calculated by CDA Investment Technologies, Provident's performance ranked in the bottom half of CDA's rankings of funds in that period.

Provident is unaccustomed to such humiliation. In the three-year period ended June 30, for example, Provident's total return on clients' fixed income portfolios was 20% a year, well over the industry average of 16.7%. That put the trust department in the top 10% of all bank fixed income money managers.

Robert J. Christian, vice president and director of fixed income research at Provident, had lots of company last spring. And he has lots of company now, as portfolio managers try to undo the further mischief caused by rising interest rates this summer. Here's what he is doing to make amends.

Provident is avoiding even highest quality corporate debt instruments that may be damaged by "event risk"—LBOs, tenders, for example. The yield premium for holding a corporate instead of a Treasury, Christian thinks, is extremely narrow and does not justify the credit or early redemption risks.

As for municipal bond yields, he thinks shorter maturity issues out to five or ten years—in the range preferred by his trust department—are so far below the Treasury yield curve that they, too, are not nearly as attractive as direct Treasury and agency securities. As an example, five-year AAA muni general obligations pay 6.2%, while five-year Treasurys pay 9.2%. At the ten-year level, the tax-free yield is 7.25%, against 9.7% for Treasurys. Long-term investors, however, can do much better in tax-exempts than in Treasurys, where the yields are 8.4% against 9.7%.

As for Treasurys, Provident is playing it quite differently compared with last spring. Then Christian was willing to go for securities maturing from eight to ten years out. Now he's reluctant to go past seven. The added reward for going longer, he says, simply doesn't justify the added risk. "For example," Christian says, "an investor adds an additional 165 basis points by deciding to go out from three months to two years against an average 110 for a similar move over the past two years. An investor picks up 70 basis points extending from two-year to five-year maturities, compared with an average 46 basis points. And a further swing to seven years brings an additional 30 basis points instead of the more usual 25. But beyond seven years, it hardly pays to extend. The yield pickup is only 15 basis points out to the 10-to-30-year-maturity range."

Christian happens to think that most, if not all, of the interest rate blip has been completed. But the events of last April evidently still haunt him. "The risk-reward relationship is favorable to seven years," he says, "but not beyond."

He also thinks the yields on Federal agency issues, such as the Home Loan Banks, FNMA and Freddie Mac, are attractive as compared with Treasurys. An investor can add up to ½% of yield as compensation for the risk of holding a moral obligation—as distinct from the full faith and credit—of the U.S. government behind a mortgage agency or the savings and loan regulatory agency. Three-year Treasurys pay 8.9%, while a three-year Federal Home Loan Bank consolidated bond due September 1990 yields 9.13%. The seven-year Treasury is around 9.5%, and the 9.2% FHLBs of 1997 offer a return of 10.15%.

But note: Interest on some agency issues, like the FHLBs, is exempt from income taxes in most states that have such levies, while interest on mortgage agency issues, such as those of FNMA and Federal Home Loan Mortgage Corp., is subject to state and local taxes. This can vary from state to state and must be checked by each investor. In a state like New York or California, where income taxes are high, the saving can be considerable.

Which fixed-income fund bucked the trend? Citibank High Yield fund had a total return of 6.4% in the first half of this year. That's because the yield on junk bonds is so high that it more than offset the capital losses that came with the bond market collapse. ■

Ben Weberman is a senior editor of FORBES *magazine.*

If your financial profile is similar to most FORBES readers', you can become a multimillionaire. The trick: Don't try too hard.

GETTING RICH BY ONLY HALF TRYING

By David Dreman

The bad news: If you don't yet have $225 million, you haven't a chance of getting on this year's FORBES Four Hundred. Now for the good news: If you have the financial profile of the typical FORBES reader, and you handle your money carefully, you can easily become a multimillionaire by your retirement years.

If you fit the median reader's profile, you are 51 and have a net worth, including your home, of over $600,000 and investments approaching $300,000. (The average reader of the magazine has a net worth of $1,374,138 and an investment portfolio of $900,000.)

How do you turn well under $1 million into a sizable fortune?

You start by not taking unnecessary chances. You avoid trying to build a big pile quickly through a roll of the dice on long odds. There are hordes of smooth-talking con artists out there describing sure hits of 10-, 20- or even 50-to-1, with little risk. Buying this garbage has wiped out tens of thousands of substantial investors. The critical task is to protect the nest egg you have already built.

David Dreman is managing director of Dreman Value Management Inc., Investment Counsel, New York, and author of The New Contrarian Investment Strategy.

Protect it and fertilize it. Suppose you can achieve returns approximating 12% (including a new investment from current income annually). As a median reader you are 51 and have an investment portfolio of $300,000. A 12% return annually will compound out to $2,384,679 before taxes at age 70. Not included are any retirement, pension or profit-sharing benefits, which for the median reader should boost this sum substantially. (Over 49% of the magazine's subscribers are in top management and another 25% in middle management, where these fringes are usually at carriage-trade levels.)

If you are younger, the returns go up sharply. Using the same calculation, a 35-year-old man or woman increasing net worth at 12% a year will have $15,839,700 before taxes at age 70, with other retirement benefits upping the ante considerably. Simply compounding net worth at obtainable rates can bring you very respectable wealth.

Ah, but how to get 12% consistently? Set modest goals and invest in a diversified portfolio of stocks, bonds and precious metals. (Real estate and other investments only if you know these markets well.) "Why not put it entirely into stocks?" some readers might ask. After all, stocks have gone up almost 28% annually over the past five years. Here comes my point about preserving principal. Sure, stock returns have been in the stratosphere in recent years, but don't be seduced into thinking these spectacular short-term results can last forever. Anyone who does is headed for a major fall.

In order for a 25% return to continue for ten years, the Dow Jones industrial average would have to rise to a mere 24215 by the end of this period. The price/earnings ratio would move up to 100 times earnings (assuming earnings continue to grow at their long-term rate of about 7%). This is utter nonsense, of course, when you play out the numbers, but it's surprising how many people throw caution to the wind, following the current trend without thinking. Good-bye, small fortune.

After the major market move we have had, it's time for caution. I would recommend no more than 50% of your total portfolio in the stock market today, invested in blue-chip, low-P/E stocks, which have better defensive characteristics in a market downturn.

What to do with the other half? Own good quality bonds. I prefer Treasurys because of their much higher liquidity. Bonds are highly volatile because of sharp changes in interest rates, so I recommend staying relatively short in maturities. With the reasonably flat yield curve we have had for a number of years, there is no advantage and plenty of risk to buying long bonds. If interest rates rise sharply, the decline can be very large.

I recommend three-year Treasurys, which yield almost 9%. Yes, I know that's below the return I indicated necessary to make your long-term goal. But you can extend your maturities from short to very long when interest rates surge again. I believe they will with full employment, a stronger economy, higher commodity and wage rates and the likelihood of higher oil prices.

It pays to wait rather than take chances. Patience is one of the most important investment virtues and also, unfortunately, the one in shortest supply.

Finally, if you believe as I do that inflation will rekindle some years out, place about 10% of your portfolio in precious metals. I prefer silver. Adjusted for inflation, it is near its low of the postwar period.

It goes without saying that you should have a good tax adviser to structure your assets. With some shielding and today's lower tax rates, you, the median FORBES reader, have a good chance of being a multimillionaire in your retirement years. Just stay with reasonable and obtainable goals, and let the magic of compounding do the rest. ■

Patrick Foley

Chairman, Hyatt Hotel Corporation and Vice Chairman & CEO of Braniff Airlines, Insight *reader*

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Talk to the powers that be.

A typical male.

I look for the DJI to trade between 2500 and 2800 as wild and wonderful 1987 shifts into neutral, awaiting 1988.

IDLING RICHES

By Ann C. Brown

So far, so good in predicting the latest stock trends. The Sept. 21 column was hardly out before many big-capitalization, big-multiple equities fell from their preferred positions on brokers' recommended lists. Once the DJI came within 10% of 3000, "better early than never" became the selling cry of money managers who found their cash positions light, as certain elements of the economic picture darkened.

For one thing, interest rates continue to rise. Partly because of fears of renewed inflation—especially after August's surprise ½% blip, which left little doubt that this year's inflation rate will be about double that of last year.

Interest rates are climbing, too, because the improvement in the federal budget deficit is going to be less than earlier projected. Also, investors anticipate that the Federal Reserve will further tighten credit near term so it can relax the money supply close to next year's elections. This rise in interest rates comes at the same time as demand for funds from the business sector to finance growing inventories and to pay for capital expansion programs.

Ann C. Brown is chief executive officer of the equity advisory and portfolio consulting firm of A.C. Brown & Associates.

A second concern that prompted a bit of profit-taking in the market is the suggestion that consumers may be cutting back on their expenditures. Recent auto sales, despite buyer incentive plans, have been noticeably weak. Ditto the sales of other high-priced durables. And the latest department store and housing-related sales leave much to be desired. So far, these are only straws in the wind, but the draft is enough to cool down the hot, earnings-driven, super-bull-market story, which has enjoyed such a wide following.

Finally, whether they admit it or not, most institutional and individual investors are worried about the political situation both here and abroad. Even though the Reagan Administration has over a year left on its contract, for all intents and purposes it is largely history. And looking ahead to 1988-92 has scarcely inspired confidence. Not only have two of the leading Democratic contenders self-destructed, but the current front-runners in their respective parties, Mr. Robertson (according to the Iowa precaucus poll) and Mr. Jackson, represent the more extreme viewpoints.

Meanwhile, overseas, with the U.S. fleet literally all over the seas in the Middle East, one miscalculation has the possibility of being one too many. In addition, Mr. Gorbachev and the Glasnost Gang have grabbed center stage. The Soviets have taken much of the initiative and most of the credit for the European nuclear missile reduction plan, while the U.S. finds itself cast in the role of the bad guy. The fear here is what we might or might not do to regain lost affection.

If these are some of the negatives, there are still plenty of positives around—a low unemployment rate, rising industrial capacity utilization, a slowly improving balance of payments and an undervalued stock market, compared with those of other countries (most notably Japan, whose purchase of U.S. equities should increase markedly when the dollar finally bottoms out).

With capital gains taxes due to go up next year for many investors, the stock market could face significant selling pressure from now to year-end. I look for the DJI to trade between 2500 and 2800 as wild and wonderful 1987 shifts into neutral, awaiting 1988.

Three stocks that look attractive for a market that essentially may be in a short-term holding pattern are *Compania Telefonica Nacional de Espana* (26), *Jefferson Smurfit* (68, o-t-c) and *R.R. Donnelley* (41). Telefonica, Spain's national telephone company, is new to American investors, since it was listed on the NYSE only this past June. The growth potential for the company appears promising—Spain has one of the lowest levels of telephone penetration in Western Europe. TEF is estimated to earn around $3.65 per share this year and $4.15 or more in 1988.

Jefferson Smurfit manufactures paperboard, newsprint and packaging products, and does so very profitably. JJSC earnings estimates for this year and next have been revised upward 15% to 20%, to $4.50 per share for 1987 and $6.50 for 1988.

Ever wonder who's printing and mailing all those catalogs you get? R.R. Donnelley is a big and growing factor in this business, in addition to publishing a host of national magazines, telephone directories and books. Earnings estimates for DNY are for $2.25 per share in 1987. Next year $2.65 looks possible.

So far, not so good with my recommendation of *Seagate Technology* (o-t-c) at $30 per share. The stock, which had corrected sharply from its earlier year high of $46, came in for further analyst abuse with the rumor that the company's first fiscal 1988 quarter (ended Sept. 30) earnings would be less than expected. As a result, estimates for the year as a whole were slashed from $3.50 per share to $2.50. Currently selling at 8 times what I think are too low estimated earnings, SGAT is now a buy for a rebound as well as for the longer term. ■

CORPORATE REPORT Updates

SPECIAL FORBES ADVERTISING SERVICE FOR INVESTORS AND THE FINANCIAL COMMUNITY

N New York Stock Exchange A American Stock Exchange O Over-the-Counter P Pacific Stock Exchange

E, INC. N

/ING, TEXAS, Sept. 1, 1987—AMRE, Inc. (NYSE: AMM) announced a 127 percent increase in net income in scal first quarter ended July 31, with 1987 earnings ing $1,878,528 versus $828,932 in 1986, on a 78 nt sales advance in the period to $31,831,461 in 1987 s $17,840,226 in 1986.

rnings per share rose 82 percent to 20 cents per share 49 million shares outstanding in 1987, versus prior 11 cents on 7.7 million shares outstanding.

eve Bedowitz, AMRE chairman and president, said, first quarter progress continued on plan, with sales nces due to increased penetration in our older markets substantial increases from our new territories' with 34 s in operation at the end of this year's first quarter ared to 20 at the quarter's close last year. The siding on continues to perform strongly, and our 17-month- eck divison is now ahead of plan, having surpassed the illion per month sales level in both June and July."

MRE is a leading direct consumer response company services all or part of 35 states and beleives that it is nation's largest marketer of installed, exterior home ovements. The company made its initial public offering bruary of this year at $8 per share (adjusted for a 2-for- ck split in June 1987).

ontact: Robert Levin, AMRE, Inc., 4949 W. Royal Lane, g, TX 75063, 214/929-4088 or Thomas Ryan, Daniel J. nan, 212/757-9100, for AMRE.)

S INNS OF AMERICA O

tlanta, Sept. 22)—Days Inns of America and Tridom , both headquartered in Atlanta, jointly announced act of 160 additional Clearlink communication stations ays Inns' FAST satellite reservation system.

AST (First Advanced Satellite Technology), originally prised of 500 Days Inns properties, was implemented g Tridom's Clearlink Network. Phase I will be completed ecember of this year. The second phase of implementa- will begin in January of 1988 and will bring the total to locations.

e original network began operation in January 1987 is the first of its kind in the hospitality industry.

l future Days Inns will utilize the system with over 1000 cted in the network by 1990.

ob McGrail, senior vice president of Days Inns said, "the ementation of Tridom's Clearlink product has enabled FAST Network to perform beyond our expectations and made our explosive growth more manageable."

e FAST reservation system utilizes VSAT's (Very Small ture Terminals) at each Days Inn property, which municates through a satellite to a hub station connect- Days Inns host computer. FAST allows every Days Inn e United States to exchange reservation information the host computer at Days Inns headquarters in Atlanta peform video conferencing to every location in the ork.

Contact: Doug Patterson of Days Inns of America, 2751 rd Hwy., Atlanta, GA 30324, (404) 728-4100.)

OM INDUSTRIES, INC. O

/EST PALM BEACH, FL., Sept. 10—Dycom Industries, Inc. SDAQ: DYCO) today reported gross revenues and net me for the year ended July 31, 1987.

or the year ended July 31, 1987, gross revenues were ,545,890, a 45% increase over total revenues of ,820,628 for last year. Net income was $2,972,086, up compared to $1,926,961 for last year. Earnings per share he current year were $.75, compared to $.57 for last year.

Contact: Thomas R. Pledger, President & CEO, Dycom ustries, Inc., P.O. Box 3524, West Palm Beach, FL 33402- 4. Phone (305) 659-6301.)

INTERNATIONAL NUTRITION TECHNOLOGIES, INC. VSE

PATENT TO ISSUE

CARLSBAD, CA,. Sept, 1 - INTI (VSE, INU) announced today that it has been granted a patent on its unique technology for the nutritional supplementation of calcium, magnesium & potassium in humans.

George Clark, President of INTI states, "The full potential of our patents has never been disclosed. We are now in a position to negotiate with major players in the pharmaceutical industry for the development of product applications relating to heart disease, high blood pressure & colorectal cancer."

INTI is currently supplying its calcium component, ULTRACAL® to Old Chicago Seltzer, the first fortified diet seltzer-style soft drink available in the U.S. & Canada. Old Chicago has signed Chicago Bears coach Mike Ditka as spokesperson for the product.

INTI is the developer of advanced technologies and unique product formulations to fill contemporary health needs.

(Contact: George H. Clark, President & CEO, International Nutrition Technologies, Inc., 5441 Avenida Encinas, Suite A, Carlsbad, CA. 92008 Phone (619) 931-8991, 1-800-331-INTI.)

LASERTECHNICS INC. O

FORMER CELANESE CHAIRMAN JOHN MACOMBER AND LEADING VENTURE CAPITALIST FREDERICK ADLER TO TAKE LASERTECHNICS INTO MEDICAL TECHNOLOGIES

ALBUQUERQUE, NEW MEXICO, August 31, 1987—Lasertechnics, Inc., (NASDAQ: LASX), a manufacturer of high-technology industrial and medical laser systems, announced today that John Macomber, Chairman and Chief Executive Officer of Celanese Corporation until its acquisition by Hoechst A.G. earlier this year, has joined Lasertechnics as Chairman of the Board. Mr. Macomber replaces Eugene Watson, who will continue as a consultant to the Company.

In addition, Frederick Adler, one of the nation's leading venture capitalists, has joined Lasertechnics' Board of Directors. Both he and Mr. Macomber will lead the Company's strategic expansion into new fields of medical technology.

"We expect that these two prominent business leaders will have a major impact on the strategic development of our Company," commented Lasertechnics' President Louis Bieck.

Mr. Macomber and Mr. Adler, who have each acquired options to purchase one million shares of the Company's stock at the current market price, intend to work closely together to attempt to expand Lasertechnics operations in medical technology.

"There are many small but unique companies that have or are developing some outstanding medical technologies," the well known executives stated. "Many of these companies need better management, marketing expertise and financial assistance. Lasertechnics would have much to offer such companies, either through merger agreements or licensing/royalty arrangements.

"Management is the engine that drives the growth of an enterprise," Mr. Macomber and Mr. Adler added: "and in our opinion, Lasertechnics has a first rate management team in place to move ahead in this exciting new direction."

John Macomber is considered one of the most successful corporate executives in America. As Chairman of Celanese, he restructured the company, increased its value tenfold and, in one of the year's largest acquisitions, sold it to Hoechst A.G. for $2.8 billion. Mr. Macomber serves on the Boards of Bristol-Myers Company, DNA Plant Technology Corporation, Celgene Corporation, RJR Nabisco, Inc., and the Chase Manhattan Bank. He is a Trustee of the Carnegie Institution, Vice Chairman of The Rockefeller University, and a member of The President's Advisory Committee for Trade Negotiations, The Business Roundtable and The Council on Foreign Relations.

Frederick Adler is the Managing Director of Adler & Company, which manages or advises six venture capital funds and the Adler family venture investments, which has aggregate assets in excess of $300 million. He is also a leading figure in the field of leveraged buyouts. Mr. Adler, who has invested in more than 60 high-technology companies, is best known for having founded Data General, Fibronics International and Daisy Systems.

(Contact: Louis F. Bieck, President & Chief Executive Officer, Lasertechnics, Inc., 5500 Wilshire Ave., N.E., Albuquerque, N.M. 87113. (505) 822-1123, or Anthony J. Russo, Susan Shaffer or Jim Burness, Cameron Associates, (212) 683-4545.)

REG RESOURCES (RRE.V) V

SILVERKNIFE CLAIMS, LIARD MINING DIVISION, B.C.

Teryl Resources Corp (TRC. V) Joint Venture Partner has announced flow through financing of $300,000; $100,000 from the NIM Fund and $200,000 from the Vanguard Fund.

These funds will be used to drill Reg Resources' silver, lead zinc prospect commencing the 17th day of August, 1987.

Previous drilling resulted in assays up to 29oz silver/ton and 17% lead/zinc combined. Reg Resources retains a 40% interest until $450,000 has been spent by Teryl Resources and $450,000 has been spent by Chevron Minerals.

Chevron Minerals has the option to earn a 51% interest by paying to Reg Resources $2,000,000 and $650,000 to Teryl Resources by December 1990. Reg Resources will then retain a 24.5% working interest in these claims.

(Contact: John Robertson, President, Reg Resources, (Suite 201) 3311 No. 3 Road, Richmond, B.C., Canada, V6X 2B6. Phone: (604) 278-4455.)

SHONEY'S INC. O

(Jacksonville, Fla., Sept. 22, 1987)—Shoney's Inc. (NASDAQ/NMS:SHON) projects an 11 percent increase in revenues for the fiscal year ending Oct. 25, 1987, and an earnings per share increase of 17 percent over 1986.

The Nashville-based restaurant company announced the projections on Saturday, Sept. 19 during an annual meeting it hosts in Jacksonville for 40 security analysts and portfolio managers.

"In 1987 revenues are anticipated to increase 11 percent, and earnings per share are expected to be $1.35, a 17 percent increase over 1986," said J. Mitchell Boyd, vice chairman and chief executive officer of Shoney's Inc.

"Our 1988 growth is already plotted. For instance, of the 72 new (company-owned) units we shall build in the coming fiscal year, we already own the land for 63 of them," said Boyd. "In 1987, 31 new units, or 53 percent of the total for the year, will have been constructed in the fourth quarter. In 1988, we plan to evenly distribute new construction over all four quarters."

Vice President and Chief Financial Officer Taylor Henry Jr., said that 1988 revenues are projected to increase 16 percent to approximately $810 million, and earnings per share in 1988 are expected to be up 26 percent, to approximately $1.70 per share.

Boyd told the analysts that all the requirements for growth were in place for next year. The product concepts, the new markets, the financial resources and experienced, capable people would assure Shoney's continued excellence and profitability, he said.

Shoney's Inc., is a diversified major food service operator and franchisor with nearly 1,450 units. Its major concepts include Shoney's Restaurants, Lee's Famous Recipe Chicken, Captain D's seafood restaurants and Shoney's Inns.

(Contact: Taylor Henry Jr., of Shoney's Inc., 1727 Elm Hill Pike, Nashville, Tenn. 37210, (615) 361-5201.)

(For further advertising information, call Sarah Madison (505) 275-1282/3.)

My ideal stock has a low price/sales ratio and a high relative market share.

HOW TO TAKE—AND KEEP—UNFAIR ADVANTAGE

By Kenneth L. Fisher

Posted by my desk is a sign saying, "All I want out of life is an unfair advantage." That's what I want out of stocks, too: companies with definable unfair advantages.

No, I don't mean companies that cheat, rifle rivals' files or bomb competitors' premises, bribe officials or sell shoddy products. I mean companies that are so firmly entrenched in their markets that their competitors are at a permanent disadvantage. Envision a product where one guy makes 40% of the widgets and the next biggest player has an 18% market share. Number three has only 12%, and the rest you could put in your eye.

The 40% fellow has as close to monopoly power as law allows. He can really whump his smaller brethren whenever he wants, even if they are bigger companies in other fields. Or he can let 'em live by setting prices high to keep them breathing—and him fat. Other things being equal, the big kid on the block ought to be able to beat up on the little kids almost every time.

Suppose the big guy wants to drop his production costs. Funding a study on how to do that costs him less than half as much per widget as it would for his next smallest competitor, because he can amortize the cost over his twice-as-large production base. Advertising costs him less per unit. Or he can hire lobbyists to cajole the rulemakers and amortize those costs as well over his market share in ways his smaller brethren could never afford.

But high market share alone doesn't give the unfair advantage I want. For example, if two guys each had 35% of a market, they might really hurt each other. I'm reminded of when Ali and Frazier fought. At the end of each bout even the winner was pretty beat up. No, I want high "relative" market share. I mean I don't want Frazier vs. Ali; I want Frazier vs. a featherweight. If my stock has 40%, I want to see the contender with 20% or less.

Mind you, the bigness I'm after doesn't require a giant company—just dominance in a few areas: It can actually be a quite small company.

Market share isn't the only good unfair advantage. It could be any basic business trait that allows a company over the long term to make above-average profitability or to have above-average growth: low-cost production, superior service capability, regional dominance, unique product (rare), unique product technology (rarer still).

Of course, having one of these advantages doesn't ensure success. The management must understand it has the unfair advantage, and it must understand what to do with it. General Motors and U.S. Steel both had high relative market share going their way for decades, and successive managements were too dense to use it properly.

One more unfair advantage I require: to buy the shares of the companies that have unfair advantages at a cheapo price. The key to long-term stock investing is buying unpopular stocks of good companies—companies with unfair advantages but which are temporarily out of favor. In time the world appreciates the quality, and the stocks get more popular and rise in price.

My basic technique for identifying stocks with an unfair advantage is through price/sales ratios and price/earnings ratios. (For those who have forgotten, a price/sales ratio is the market price of the stock divided by the revenues per share.) Right now the market, depending on exactly which measure you use of it, sells for between 85% and 100% of its underlying revenues—a price/sales ratio of 85 cents to $1. That's rich for me: I want to stay with stocks selling at less than half that—and/or less than half the market's current P/E of 20.

Are there any such currently? Relatively cheap stocks that have some unfair advantages over competitors? Here are a few:

Printronix (11, o-t-c) has high relative market share and low-cost production in dot matrix line printers, the kind used in heavy-duty industrial markets where printers must keep going hour after hour in tough territory. At 40% of sales and 80% of book value, it's cheap. In fact, so cheap that it's almost a Ben Graham play. Current assets minus all debt, both current and long term, is $43 million, while Wall Street says the outfit is worth only $50 million. This stock is thin, so be careful.

Texas Industries (36) is cheap, too. It isn't America's lowest-cost cement producer, but it is the low-cost guy in Texas. No one will be able to pay the freight into its market and beat it on cost. It's got regional dominance. It's also got perhaps the world's lowest-cost steel minimill in its wholly owned Chaparral Steel. Texas will rise again, and with this stock.

Besides being cheap, *Dollar General* (9, o-t-c) has a proven formula for discounting in markets too tiny for others to invade. Its motto is, "We operate in markets others don't want, occupy buildings others don't want, buy merchandise others don't want, and serve customers others don't want." If you believe, as I do, in buying stocks others don't want, it seems like a good fit. ■

Kenneth L. Fisher is a Woodside, Calif.-based money manager. He has written two books.

Tom Baldwin, like any good gambler, knows that there is time enough to count your money when the dealing's done.

RICH LIST CANDIDATE: 1995

By Stanley W. Angrist

Tom Baldwin is not on the FORBES Rich List. Yet. However, prudent risk-takers would be foolish to bet that he won't make it in the next few years. At 31, Baldwin, after trading for only five years, is one of the senior traders in the Treasury bond pit at the Chicago Board of Trade.

Think about that. The statistics say that at least 80% of all pit traders have their heads handed to them within a year or so of arriving.

In contrast, on an average profitable day Baldwin takes home 3,000 ticks. He always discusses his wins or losses in terms of ticks (the smallest amount by which prices can change). He explains: "It's absolutely crazy to start thinking about what you are doing in money terms. Before you know it, you say to yourself, 'I am going to lose $5,000 on this trade.' You then lose your concentration, and you are doomed. Money is just a way of keeping score." For those of you not into scorekeeping, a bond tick is equal to $31.25. Baldwin plays cagey when pressed on his annual results, but he admits to extracting somewhere between $7 million and $10 million from the bond pit last year.

Stanley W. Angrist is a commodity speculator, consultant and longtime observer of the commodity markets.

How does he do it? Baldwin rarely carries a position overnight. "What I do is an extension of scalping [trading for only one tick], but instead of looking for a single tick move I look for between four and eight."

But how do you take home 3,000 ticks when you are looking for such small moves? Baldwin does it by taking on huge positions—the average size is 200 contracts (with a market value of $20 million). And, at times, that can creep up to several thousand contracts. On an average day he trades 10,000 contracts. (Keep in mind that the average daily volume of trade in the bond pit is about 300,000 contracts, so Baldwin is doing almost 3% of that volume all by himself.) No one profits on every trade, and Baldwin is no exception. "I expect 50% of my trades to be profitable, 20% to be losers and the rest to be scratches [break-evens]," he says.

Baldwin stands 5 foot 11 and weighs 185 pounds, with darkish brown hair and a bushy mustache to match. His voice is raspy and low after a day of trading. Like all successful commodity traders, he says that at least part of his success is due to discipline. He thinks some of his came from his high school in St. Louis, run by Benedictine monks, which was followed by an undergraduate degree and an M.B.A. in agribusiness from Jesuit-run Santa Clara University in California.

In 1982, while working disinterestedly as a product manager in the meat-packing business, he learned that one could lease a seat on a commodity exchange if one lacked the funds to buy it. He packed up his wife and moved to Chicago. They had both been working for two years and had managed to save $20,000. Baldwin says he had no choice in what happened next. "My monthly seat lease payment was $2,100 and our living expenses amounted to another $1,000, so I figured I had six months to start making money." Unlike most newcomers to the pit, he found he was consistently breaking even, and within six weeks he was actually making a profit. In fact, within six months he was able to buy a $79,000 associate membership seat.

Being a trader who takes huge positions places him in the position of frequently being on the other side of trades that the institutions—such as Salomon Brothers or Goldman, Sachs—want to make, since they are the only ones who handle his size orders. Baldwin notes: "I never worry that a big institution with a big research staff is on the other side of my trades. First, they do a lot of hedging, and their action in the pit could be a part of something else they are doing in the cash markets. Second, why should I worry? On balance, I believe I make more money in my pit trading than they do."

How does Baldwin form a market opinion without a research staff? "I always check to see what bonds do in their night-trading session and in London, the previous day's stock market action and what the dollar is doing. Then I throw in my own technical analysis and prepare a mental chart. I then watch the bonds open to see if my market notion is correct."

Recently there has been much fretting about the effect that big traders can have on the markets. Baldwin believes that, in the present climate of huge markets like bonds and S&Ps, the actual impact of the heavy hitters is not great. He notes, however, that "when a big trader must bail out of a *losing* position, the market can be affected."

Baldwin says that what he does is akin to what anybody who loves his work does. "An artist will stay up all night painting, not because he is thinking about the money he is going to get for his efforts, but because he loves to paint. Willie Mays would have played baseball without big bucks on the line because baseball was fun to him. And I would trade even if I didn't make a lot of money at it, because it is what I love to do. My wife says I wake up in the middle of the night shouting bond pit trades. It's my life." ■

Streetwalker

Edited by Thomas Jaffe

Hot wires

The Englewood, Colo.-based Bell operating company, USWest, is taking its cellular telephone and mobile communications subsidiary public. Atlanta's Contel, the big independent phone company, is doing the same with its operation. Others are likely to follow.

In the competition for investor dollars that is bound to ensue, some smart money men think it's only a matter of time before the big wireline companies, with their publicly traded cellular operations, draw support away from everyone else. But don't count New York money manager Mario Gabelli in that number.

"No way do I see it hurting the nonwirelines," says Gabelli, a longtime successful investor in communications stocks. "They're already there. They're not going to buy up others. If anything, others are going to end up buying them."

Recall that when the FCC originally allocated the cellular spectrum it gave half the market to wireline companies (the former Bell operating companies and independents) and the other half to the nonwirelines. Then, a 1986 court ruling let wireline companies go into the nonwireline cellular business in given markets, so long as they weren't already operating there.

Gabelli has long argued that the nonwirelines were going to be taken over by the wirelines. "The wirelines are the guys who have the natural business and the big bucks," he says. "They're going to establish a currency with which to do it, and that will be their own public offerings." So, he reasons, investors should look at the companies with franchises in markets that the Bell companies can enter.

Among nonwireline companies, Gabelli thinks that the takeover odds are best on Associated Communications (recent price, 35 o-t-c) and Mobile Communications Corp. of America (31 o-t-c). As for McCaw Cellular Communications (24⅜ o-t-c) and Lin Broadcasting (47¼ o-t-c), he says both are so big that the probability of either being taken over is slim, but he still likes them as growth stocks. (Indeed, Gabelli recommended Lin when he was interviewed by FORBES, *July 15, 1977*.) On the same basis, he also has a buy on Affiliated Publications (70¾ on the NYSE).

Among the independent wireline companies that have gotten into the cellular business, he likes Telephone & Data Systems (37⅛ on the Amex), Century Telephone (25¼ NYSE), Centel (20¾ o-t-c) and Contel (37½ NYSE). "They're all small enough to be taken over in toto by the baby Bells," he says.—**T.J.**

Paint by the numbers

On Aug. 21 Graco Inc., Minneapolis' $235 million (estimated 1987 sales) manufacturer of fluid handling equipment and systems, completed the repurchase from the public of 1 million shares, at 34 a share. This coming December and January, the Clarissa L. Gray Trust will sell back to the company nearly 550,000 more shares at the same price. That will leave approximately 4.5 million shares outstanding.

Graco spray-painting robots at work
Color me profitable.

With Graco recently trading on the NYSE at 33¾, analyst Mitchell Quain of New York's Wertheim Schroder is more interested than ever. Quain agrees that earnings will be down slightly this year, to $2.30 a share, thanks mainly to the industrial slowdown in Japan, where Graco dominates the paint pump business. Its Japanese operations generate about 15% of its sales.

What investors are overlooking, Quain argues, is the strength of Graco's overall business. The company also dominates the U.S. industrial market in paint pumps, which apply finishes to everything from automobiles and aircraft to appliances and farm machinery. It is a leader in painting robotics, a growth business, and it spends heavily on research and development.

Taking account of Graco's shrinking capitalization, Quain thinks the company will earn $3.15 a share next year. Long-term debt rose to around 50% of total capital to finance the stock buyback, but Quain says cash flow is so strong that Graco's debt level ought to be back to 20% of capital by 1990. Overall, says Quain, the stock's a steal.—**T.J.**

Thin but interesting

Little Badger Meter, Inc. (estimated 1987 sales, $67 million) makes flow-measurement equipment—mainly water meters but also measurement devices for the petroleum, food and beverage and other industries. Last year net dropped, to 80 cents a share.

Recently, however, Milwaukee-based Badger has been pouring every available dollar into the research and development of automatic meter readers. The technology here has been made commercially feasible by the deregulation of the telephone industry and the improved use of microprocessors. Badger's meter itself can now call in the reading to a utility's central computer; potentially, no more human meter readers.

Analyst Hugh Denison of the Milwaukee Co. expects Badger to book some automatic meter orders by next year, should tests now taking place with Pennsylvania American Water Co. of Norristown, Pa. prove successful. For this year, Denison thinks strong backlogs in Badger's traditional lines of business should generate earnings per share of $1.30. He looks for $1.60 a share next year, when he expects orders for automatic meter readers will be coming in. Recent price: 18½.

What if the new device bombs? Denison replies that much of the money Badger has been spending on it would revert to being excess cash flow, usable in other ways—a leveraged buyout, for instance.

Be extra careful here. Badger's float is slim. Employee stock plans and the founding Wright family control close to half of the 1.5 million Amex-listed shares. But if the lack of liquidity doesn't bother you, take a look.—**T.J.**

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MCE Introduces the Avant Garde — The Latest Model in the "Speakeasy" Line of Cordless Telephones

The Avant Garde from MCE is attractively styled in Black/Silver or Cream/Gold color combinations, and contains an impressive list of features which include 10 direct-dial memory keys, intercom, hands-free speakerphone, dual keypads for base or handset dialing and tone/pulse option switch. This mix of decorator styling coupled with state-of-the-art technology leaves the competition far behind. For more information, contact George Mercurio, Babbit Associates, 1060 N.W. 1st Court, Hallandale, FL 33009. Or call toll-free 1-800-432-1108, and in Florida call 1 (800) 432-3631.

Tatung Moves To Upgrade Image With New Television Line

Tatung Company of America has launched a new line of televisions for upscale buyers with its "Masterpiece" Series, reflecting the company's most advanced technology in high resolution picture clarity and on-screen digital controls. The products are priced to compete with other makers of high-end televisions. The Taiwan-based company plans to produce the Masterpiece line in the U.S. at its Long Beach, California and Marietta, Georgia facilities. For more information, call or write Tatung Company of America, Inc., 2850 El Presidio St., Long Beach, CA 90810, 213-637-2105.

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"The more things change. . . ."
Items from past issues of FORBES

Sixty years ago in FORBES

(from the issue of November 1, 1927)

"**Is it necessary,** is it equitable to call upon the present generation to bear all the staggering burden imposed by the World War? Very creditable has been the reduction already effected in our public debt. Thanks mainly to President Coolidge and Secretary Mellon—plus national prosperity—our government debt has been brought down from the peak of $26.6 billion in 1919 to $19.6 billion. But is it wise to insist that a billion dollars or more be paid off each year?"

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—Retailer James Cash Penney

Fifty years ago

(from the issue of November 1, 1937)

"**Several incidents** have suggested that Mussolini is readier to talk than to act bellicosely. Hitler is at least still proclaiming his adherence to peaceful policies. Russia has more than enough internal troubles. Britain has all along acted the role of peacemaker; admittedly she is not yet ready for war. Japan alone has kicked over the traces."

On models like this rode Chrysler's hopes for a bigger 1963 market share

"**A new highway** system must be provided to accommodate 37 million motor vehicles by 1960. The number of automobiles on the highways will increase 50% within the next 23 years. Six million of the motor vehicles roaming the roads in 1960 will be trucks."—General Motors Vice President Charles F. Kettering

Twenty-five years ago

(from the issue of November 1, 1962)

"**Never had U.S.** automakers got off the mark with such speed. With assembly lines pouring on the gas, the likelihood was that October output could rack up a record of 725,000 when the final figures are in.

"The company hoping hardest that the industry could follow a good year with a better one was the third-largest U.S. automaker, Chrysler. Over the past five calendar years Chrysler has lost over half its market share, from 19.5% in 1957 to some 9.6% this year."

"**There is a richer,** bigger economic entity than the U.S. in the world today. Its economy is far larger and greater than Russia and her satellites. It is vastly more important than Britain and the whole Commonwealth. It is the European Common Market—the trade-area unit of France, West Germany, Italy, Belgium, Holland and Luxemburg."

"**Unique in form,** awesomely diversified in its products, literally treating the entire world as its own common market, the Anglo-Dutch combine known as Unilever is actually several giant corporations rolled into one. It sells more washing products than Procter & Gamble or Colgate-Palmolive, more processed foods than General Foods or Corn Products. In fact, Unilever's volume exceeds sales of all four U.S. giants put together."

Ten years ago

(from the issue of November 1, 1977)

Alcan Aluminium pioneers Arthur V. Davis & Andrew Mellon (top l. & r.), *James B. Duke* (lower l.) *and Richard Mellon*

"**Alcan Aluminium** should be the most profitable aluminum marketer in the world. Selling aluminum is really selling energy—packaged in light, recyclable ingots. Electricity to operate smelters is a major production cost, and the $3-billion-sales Canadian giant has huge hydroelectric generators that provide the industry's cheapest power. While U.S. competitors Alcoa, Kaiser and Reynolds buy much of their energy, Alcan comes close to being self-sufficient. It is the world's largest nonutility electricity producer."

Thoughts
on the Business of Life

If you look up a dictionary of quotations you will find few reasons for a sensible man to desire to become wealthy.
ROBERT LYND

It is the wretchedness of being rich that you have to live with rich people.
LOGAN PEARSALL SMITH

Money never made a fool of anybody; it only shows 'em up.
KIN HUBBARD

That plenty should produce either covetousness or prodigality is a perversion of providence; and yet the generality of men are the worse for their riches.
WILLIAM PENN

There's nothing so comfortable as a small bankroll. A big one is always in danger.
WILSON MIZNER

Money talks and it is the only conversation worth hearing when times are bad.
FRED ALLEN

I haven't got as much money as some folks, but I've got as much impudence as any of them, and that's the next thing to money.
JOSH BILLINGS

Covetous men need money least, yet most affect and seek it; prodigals who need it most, do least regard it.
THEODORE PARKER

When a man says money can do everything, that settles it: he hasn't any.
[illegible]

It quite often happens: A man bounds into sudden success, becomes obsessed by vanity, builds or buys a palace, spends a fortune on luxurious living—and then has to close up the palace. It is better to leave palace-building until one is fairly well on in life. It is too risky while in the early, formative stage no matter how rosy the prospects may seem.
B.C. FORBES

Though there is a limit to what a man can use, there is no limit to what he can waste.
KENNETH BURKE

Every man thinks God is on his side. The rich and powerful know He is.
JEAN ANOUILH

To be clever enough to get a great deal of money, one must be stupid enough to want it.
G.K. CHESTERTON

I'd like to live like a poor man with lots of money.
PABLO PICASSO

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Nothing is more admirable than the fortitude with which millionaires tolerate the disadvantages of their wealth.
REX STOUT

If all the rich men in the world divided up their money among themselves, there wouldn't be enough to go around.
JULES BERTILLON

Of all the forms of tyranny the least attractive and the most vulgar is the tyranny of mere wealth, the tyranny of plutocracy.
J.P. MORGAN

Barring some piece of luck I have seen but few men get rich rapidly except by means that would make them writhe to have known in public.
CHARLES DUDLEY WARNER

Where does the ant die except in the sugar?
MALAY PROVERB

A Text . . .

The rich man is wise in his own conceit; but the poor that hath understanding searcheth him out.
PROVERBS 28:11

Sent in by Robert Irving, San Rafael, Calif. What's your favorite text? *The Forbes Scrapbook of Thoughts on the Business of Life* is presented to senders of texts used.

The greatest luxury of riches is, that they enable you to escape so much good advice.
ARTHUR HELPS

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The good is worth more than the best.
JOSEPH JOUBERT